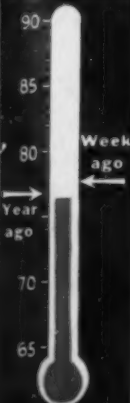


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# BUSINESS WEEK

BUSINESS INDICATOR



SETTING THE STAGE for the approaching shows, automobile factories speed production of '38 models.

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## New Business

A MANUFACTURER of neon signs in Oakland, Calif., Electric Products Co., is smart enough to equip each salesman with a miniature camera. The boys take exterior shots of each prospect's place of business, toning prints to a deep blue to give night effects. A skilled retoucher then adds modern neon signs just as they would appear if, as, and when. Results: lowered sales resistance and mounting sales curves.

Two more uses for cameras in the Golden State: (1) Farmers are photographing labor organizers when they show up on their premises; (2) State Highway Patrolmen are photographing details of automobile accidents for record purposes.

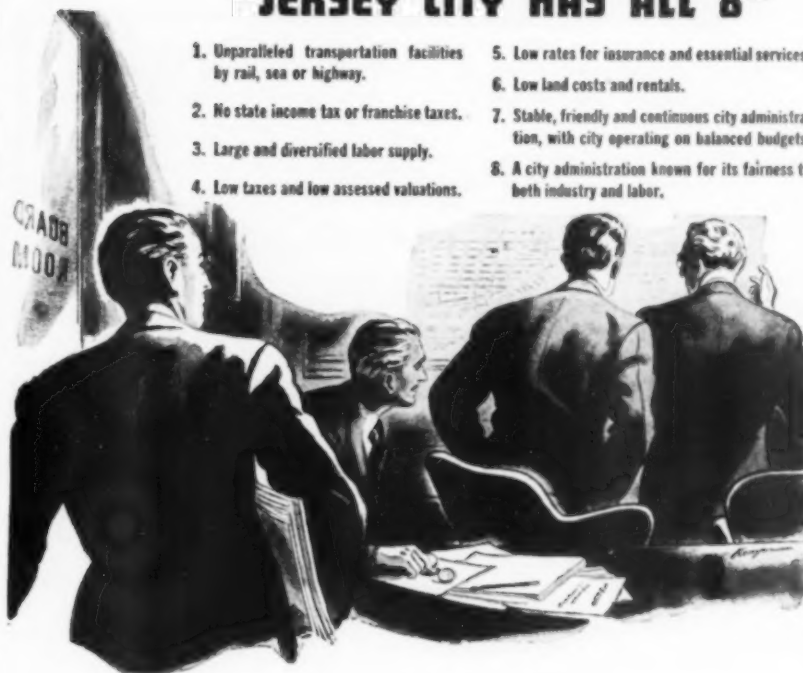
BACK in and before the cream puff era of 1929, banks everywhere earmarked and flattered their more opulent individual depositors by presenting them with books of checks, each neatly imprinted with each respective depositor's name. Now, in this more enlightened era of doughnuts and democracy, Trust Co. of America, New York City, announces that it will accept checking accounts of one dollar or more, will require maintenance of no specified balance, and will substitute for currently customary deposit and withdrawal charges a flat charge of \$1.50 per book of 20 imprinted checks.

ENCOURAGED and emboldened by the reception accorded its 94-city study, "Effect of City Water and Sewerage Facilities on the Market for Air-Conditioning Equipment" (BW—Jul 24 '37, p31), the Marketing Research Division of the Commerce Department is about to get going on a similar water use study covering cities under 100,000 population. First study investigated cities on and above the 100,000 line.

THE undeclared war in China seemingly threatened a shortage of tungsten in industrial America which has been producing only about 25% of its requirements in its own mines. Tool users will be relieved to know that General Electric has acquired two American mines with sufficient production to take care of the requirements of its subsidiary, Carboloy Co., Inc., Detroit, for the manufacture of tungsten-carbide cutting tools. Cleve-

## "JERSEY CITY HAS ALL 8"

1. Unparalleled transportation facilities by rail, sea or highway.
2. No state income tax or franchise taxes.
3. Large and diversified labor supply.
4. Low taxes and low assessed valuations.
5. Low rates for insurance and essential services.
6. Low land costs and rentals.
7. Stable, friendly and continuous city administration, with city operating on balanced budgets.
8. A city administration known for its fairness to both industry and labor.



Jersey City offers American business and industry an unusual combination of advantages. Strategically located in the heart of the country's No. 1 market, it is conveniently linked with all markets by complete transportation facilities, whether shipping is done by sea, rail or highway. It has a sound efficient government, fair alike to both the working man and business. Labor is plentiful and content. Rates for essential services are low. Jersey City offers industry substantial savings.

A partial list of the many corporations with plants in Jersey City reads like a roll call of American business and includes such leading companies as Colgate-Palmolive-Peet, Joseph Dixon Crucible, Western Electric, Lambert Pharmacal, American Can, Continental Can, Kraft-Phenix Cheese, U. S. Gypsum, Westinghouse Electric Elevator, Air Reduction Sales, P. Lorillard, Mallinckrodt Chemical, and Standard Oil of New Jersey.

For specific information as to what Jersey City may mean to your business, write or wire Mayor Frank Hague, City Hall, Jersey City, N. J., for a copy of the booklet entitled, "Jersey City Has Everything for Industry."

**JERSEY CITY has Everything FOR INDUSTRY**



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profited by this training, including many who are now heads of leading American corporations. NOW to meet fully the new conditions and new problems of TODAY, the Institute has formulated a NEW PLAN that will meet most effectively your personal requirements for growth and progress; that will equip you to command a higher place in American business life.

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**T**HIS is a new edition of the famous book that has started so many thousands on the road to greater-than-average success. To you its value depends entirely on yourself, on what you want, and on how strong your determination is to get it. Most readers of this page will not even bother to send for this book. Some will send for it and do nothing about it. A few will read it, will grasp the importance of its message, and will go ahead to win greater influence and larger income. To the right man, the information

and inspiration of this book can mean financial independence.

Among the dozens of American business leaders who have helped to build the Institute's Course and Service are J. C. Penney, Chairman, J. C. Penney Co.; C. M. Chester, Chairman, General Foods Corp.; David Sarnoff, President, Radio Corp. of America; Thomas J. Watson, President, International Business Machines Corp.; J. S. Trittle, Vice-Pres., Westinghouse Electric and Mfg. Co.

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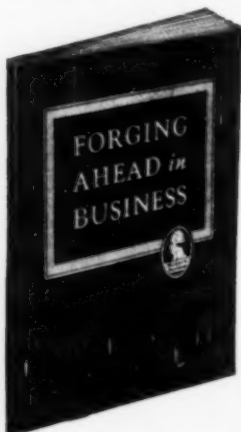
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land Twist Drill Co. reports that it uses a lot more American-mined molybdenum than tungsten in its "Mo-Max" molybdenum-tungsten high-speed steels anyway. Electric lamp users will be relieved to know that, at its Bloomfield (N.J.) lamp plant, Westinghouse has enough wolframite (tungsten-bearing ore) to take care of electric filament requirements for some years to come.

THREE publication musts are appearing among business periodicals: (1) *Power's* special "Modern Plant Number" covering design data on 350 power plants which have installed new equipment since Jan. 1, 1936—an extra number sandwiched in between regular September and October issues; (2) *Chemical & Metallurgical Engineering's* graphic 108-page supplement to its regular September number, "Facts and Figures of the American Chemical Industry"; (3) *Industrial Marketing's* 1938 edition of its "Market Data Book Number" which will be ready on or about Oct. 25.

SENTIMENTALISTS and many others will be glad to know that a grand old name of motordom is not to pass out of the picture. Doman-Marks Engine Co., Inc., Syracuse, N. Y., is taking over the name, trademark, and patents of Franklin Automobile Co. and is changing its own name to Air Cooled Motors Corp. It will make and market Franklin aircooled heavy-duty engines for trucks and for the industrial power market.

Two somewhat overlapping business meetings are going to compete for general business interest next week at Hotel Astor, New York City: Super-Market Institute Convention will hold forth Sept. 27-28; Atlantic Coast Premium Exposition and Round Table, Sept. 27 to Oct. 1. In Chicago, "The Specialty Fair" of the Advertising Specialty National Association will get in its licks at Hotel Stevens, Sept. 27-29. And the week following in Chicago (Oct. 4-9) Chicago Exposition of Power & Mechanical Engineering will take over International Amphitheatre to display "everything for power."

As annual inventory time swings around for many corporations, many a business management is looking forward to its annual headache with scant pleasure. Meanwhile, comptrollers of many firms, independent auditors, and authors of books and articles on inventories have all made impressive cases against physical inventories taken by a firm's own employees. Acting on the theory that one man's headache may lead to another man's fortune, Physical Inventory Service Co., 103 Park Ave., New York, has organized to conduct dependable inventories with a minimum of expense and disturbance. It is particularly equipped to handle chain store accounts.



# Washington Bulletin

WASHINGTON (*Business Week Bureau*)—Nothing is more persistent or more misleading than reports that a new law on trade practices has the President's O.K. This snowball has grown to the stage in which the plan is described as an Administration bill that will be handed to Congress crack-out-of-the-box next session. There is such a plan and it has earnest supporters inside and outside the Administration. Nobody questions the sincerity of its leading evangelists, Assistant Secretary of Commerce Draper and Donald Richberg, former administrator of NRA. They do not claim, however, that the President is sold on the scheme distilled a year or more ago out of NRA experience. They are simply trying to sell him and to sell business on its merits.

## But They're Not Hopeful

The most hopeful thing in months, Mr. Draper says frankly, was the President's casual reference to "disruptive trade practices" in his Constitution Day address. Draper thinks that possibly this is an indication that Roosevelt is "congenial" to the idea, and continued pressure will be exerted on him to get the thing considered. Few, however, of the Administration officials, trade association executives, lawyers, and economists in Washington who believe that Richberg is on the right track are really optimistic.

## No Quid Pro Quo

In no way, they say, has the President shown any disposition whatever to do anything for business except possibly for the manipulation of credit. He wants the wage-hour bill and he proposes to jam it down industry's throat if possible. He offers no quid pro quo to employers as in the National Industrial Recovery Act, when elimination of bad trade practices by code was the sugar-coating for wage-hour regulation. And his temper has not been sweetened by last session's defeat.

## Wage-Hour Bill First

New wage-hour legislation must come first, and in Administration quarters there is shrewd recognition that industry won't be any more disposed to help the President put the bill through the next session, even if it is dressed up with compensatory provisions for elimination of the profitless aspects of competition. Anyhow lawyers and laymen who are still *persona grata* at the White House say that never again, so long as Roosevelt is there, will business be allowed to write its own regulation, even with government supervision.

## FIGHTS FIRST CASE

*Aware that 60 PWA power projects are still tied up by court injunctions, the Rural Electrification Administration will fight hard to beat the first injunction case against its activities, brought by the Alabama Power Co. Fundamentally the issue is the same: Can the federal government give aid and comfort to local agencies competing with established utilities? Unless the first suit, now before the District of Columbia District Court, can be licked promptly and decisively, REA fears a deluge of similar pleas.*

## Skeptical of Codes

Entirely aside from Roosevelt's reaction to the Richberg plan, some of these observers wonder what business has to gain by it, figure that any code is discipline of a sort and chisellers are in their element when their competitors live by the rule.

## "Reform" Marches On

Whether Roosevelt on his Western trip can turn the tide which has been running against him steadily since last January is about the biggest question, not only politically but economically, affecting everything from U. S. Steel to a corner grocery, in the country today. He is still confident, thinks the country will force recalcitrant court-packing opponents into retreat or defeat, proposes to march on with reform legislation that is more "progressive" than the present Supreme Court, even counting Justice Black, would approve.

## —And Affects Tax Fight

Practically every development since last January, when Roosevelt first sprang the court plan, has been against him. The Black-KKK development has split the President's liberal support on the court issue. His friends insist he will go on with the

court fight anyhow. This attitude will be water on the wheels of those senators and representatives who, this winter will battle against injecting social reform objectives in the tax bill. It makes their chances of success infinitely brighter.

## Dealing to South

Roosevelt is determined to rebuild his Southern organization, badly weakened by the court fight, the Senate leadership battle, the wage-hour bill and 9¢ cotton loan policy. His course will certainly spell one cabinet change, perhaps two. Louis Johnson will be promoted to Secretary of War from Assistant, due to his great strength in the Legion, and especially in the South, despite Woodring's resentment of Johnson. Uncle Dan Roper, having failed to deliver Southern strength, may be eased out of the Department of Commerce.

## Boost in Freight Rates

A boost in freight rates will give business something more to worry about. The Interstate Commerce Commission fervently wishes that it had taken the leap before business had begun to temper its optimism regarding the future outlook. Increases allowed by the ICC will be selective and discriminating—not a general upward revision in any sense of the word, but the commission has sat on its hands so long that action now, regardless of its justification, will have a bearish effect.

## Wallace Wants More

Although the language is different—farmers will have "goals" rather than "quotas"—the net effect of the 1938 soil conservation program will be to restore to the AAA the same "voluntary" control over agricultural production that it had before the Supreme Court's decision of January, 1936. But Sec. Wallace is not content now merely to regain lost ground. Voluntary cooperation is all right if it works, but for sure control over price-wrecking surpluses he wants actual power to limit acreage. Hence the fact that a new farm law is the unfinished business of Congress.

## Jolting the Shorts

Heavier margin requirements for short sales on the stock exchanges may be imposed very shortly, because the Administration is concerned over the condition of the stock market, whose jitteriness causes a general impression that business sentiment is none too optimistic. What speculators and brokers generally have not understood is why such action was not taken long ago, especially as the Administration has taken such a strong stand against purely specula-

## ARRIVE *Buoyant* ... *Refreshed*...



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**Y**OU step from a cool, clean air-conditioned train refreshed, stimulated . . . ready to keep that business appointment without the loss of a single second, knowing that you are as fit as a fiddle and looking your best!

Traveling by train these days is bracing, delightful; it sends you on your way buoyant, refreshed.

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For a comfortable, economical, speedy and refreshing journey take "The Pocahontas" or "The Cavalier" between the Midwest and the Virginia Seacoast—both trains carry luxury coaches, Pullmans, diners and lounge cars.

**NORFOLK AND WESTERN**  
*Railway*  
PRECISION TRANSPORTATION

tive trading in general. Present exchange requirements force a 10% margin on short sales, as against the 55% imposed on purchases.

#### Split on Commodity Rule

Commodity Exchange Administration is moving cautiously in exercising its extended powers. Official opinion is divided on the extent that speculation should be curbed. One group, contending that speculation supports prices and goes a long way towards paying the marketing bill, is opposed to straitjacket regulation. The other group feels that rigid control is essential. It's an old story that probably will not be ended until the government takes up hedges.

#### Cutting Up Business

Various government agencies, trade associations and lawyers are watching closely North Dakota's attempt to pry movie producers and distributors loose from ownership of theatres. Similar moves in oil, food and other industries are on foot in state legislatures and Congress. The N. D. law has been attacked as unconstitutional. The defense admits that it's not an open-and-shut case but in answer this week to the suit of American Amusement Co., Paramount affiliate, cites precedents upholding divorce of breweries and saloons, railroads and mines, stockyards and packing plants, in which the Supreme Court recognized evils in ownership apart from other alleged abuses.

#### McGrady's Successor

Out of a dozen who have been mentioned as McGrady's successor as assistant secretary of labor, there is one man who stands high if the President is willing to risk picking a man from either the A.F.L. or C.I.O. camp. He is Robert Watt, secretary of the Massachusetts Federation of Labor, and is regarded with esteem in the Labor Department. His appointment might serve to reconcile to some extent Federation leaders who charge the Administration with being pro-C.I.O.

#### First Rift on Housing

With future policy up in the air pending selection of a head for the Wagner Act's U. S. Housing Authority, low-cost housing planners attending Sec. Ickes' conference found little to do but talk about potential difficulties. Ickes did most of the talking, and his strong boost for PWA's housing division and its director left no doubt that, if he had his way, Howard A. Gray would get the job and PWA would carry on under the new set-up. But Sec. Morgenthau is boosting Nathan Strauss, an anti-Ickes man, for the job. Should he win, the complexion of things will be very differ-

ent. John Ihlder, who has been transforming District of Columbia slums under the pleased eyes of Mrs. Roosevelt, is a compromise candidate.

#### Power Commission Excited

After marking time for two years, the Federal Power Commission is developing high blood-pressure over interlocking office-holding in the utility industry. Resignation of seven key men in the Associated Gas & Electric system on the eve of a public hearing into their connections has convinced the commission that it has been neglecting a fertile field, so a drive is on. Observers say, however, that the resignations were inspired less by a fear of revelations inimical to the public interest than by unwillingness to yield intercompany information which is inaccessible to the commission while the validity of the Public Utility Act is under question.

#### Another Fertilizer Project

Plans for government-financed phosphate fertilizer manufacture in intermountain territory, imitating the Muscle Shoals plant in Alabama, will be pushed early next month at a meeting of TVA engineers with Idaho, Montana and Utah officials. Sen. Pope hopes to get the cash from the President but, if turned down, state appropriations will be sought. Fertilizer manufacturers are watching and those who make fertilizer at Anaconda smelters are worried.

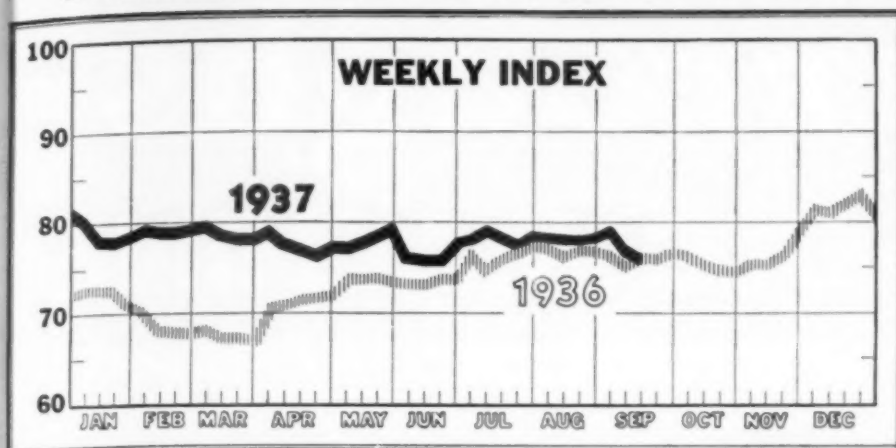
#### Sea of Grass

Turning the Dust Bowl back to grass, the Administration's idea that gives cattle growers the jitters, would really not be so calamitous. Such a large-scale transition will take years and, although it means more acres of grazing land, this would not necessarily result in beef at give-away prices. Compensating factors would be more acres per steer (much of the range is badly overgrazed), more steaks and roasts per capita (American consumption rate is only two-thirds that of England) and a reduction in imports.

#### Silver Still Politics

One of the first actions of the Administration in January will be to authorize the Treasury to go on buying silver at a premium over the world price. It is now paying 77¢ plus a bonus of about 75%. Economically, this is frankly admitted to be madness, but politically—well, the silver mining states do not have much population, but each has two senators. One of them, incidentally, is Key Pittman. It would never do for the Administration to have the chairman of the Senate Foreign Relations Committee on the warpath.

# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



## The Figures

Latest Week	*76.6
Preceding Week	†77.5
Month Ago	78.6
Year Ago	76.7
Average 1932-36	63.5

### PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	76.1	80.4	83.8	74.4	40.5
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$10,658	\$11,254	\$12,116	\$10,913	\$6,072
Engineering Construction Awards (Eng. News-Rec., 4-wk. daily av. in thousands).....	\$7,370	\$7,095	\$7,086	\$8,581	\$5,154
*Bituminous Coal (daily average, 1,000 tons).....	1,530	1,407	1,273	1,575	1,294
*Electric Power (million kw.-hr.).....	2,281	2,154	2,304	2,171	1,759

### TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	135	134	130	133	113
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	82	83	80	84	71
*Check Payments (outside N. Y. City, millions).....	\$4,732	\$3,414	\$4,517	\$4,593	\$3,362
*Money in Circulation (Wednesday series, millions).....	\$6,554	\$6,597	\$6,500	\$6,255	\$5,598

### PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.07	\$1.12	\$1.09	\$1.22	\$ .96
Cotton (middling, New York, lb.).....	9.00¢	9.18¢	9.96¢	12.28¢	10.63¢
Iron and Steel (Steel, composite, ton).....	\$40.19	\$40.21	\$40.36	\$34.22	\$31.68
Copper (electrolytic, Connecticut Valley basis, lb.).....	14.00¢	14.00¢	14.00¢	9.75¢	8.60¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	192.9	194.8	199.0	185.0	148.1

### FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.77%	4.74%	4.52%	4.22%	5.01%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.18%
Business Failures (Dun and Bradstreet, number).....	139	96	159	130	257

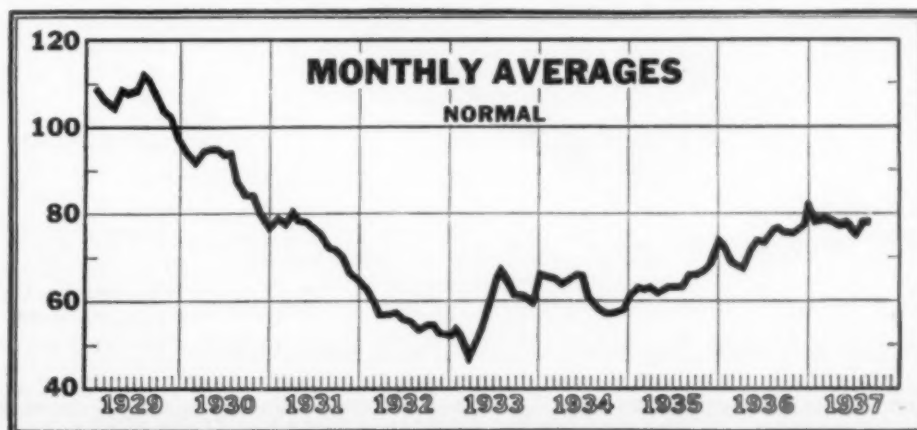
### BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,598	2,572	2,565	2,495	2,419
Excess Reserves, all member banks (Wednesday series).....	880	760	782	1,714	1,425
Total Loans and Investments, reporting member banks.....	22,232	22,315	22,303	22,614	19,609
Commercial and Agricultural Loans, reporting member banks.....	4,758	4,688	4,580	8	8
Security Loans, reporting member banks.....	2,008	2,057	2,047	8	8
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	9,250	9,322	9,370	10,623	8
Other Securities Held, reporting member banks.....	2,933	2,952	3,000	3,332	8

\* Factor in Business Week Index. \* Preliminary, Week Ended September 18. † Revised. ‡ New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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# Burroughs

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# The Business Outlook

BUSINESS lumbered along with a heavy foot this week. *Business Week's* index disclosed that for the week ending Sept. 18, the general level of business volume had slipped fractionally under a year ago for the first time this year.

Steel mills curtailed operations to 76% of capacity, and the further paring of scrap steel prices added no cheer to those who regard these prices as barometers of steel activity. Construction this month so far has been running under the high levels of a year ago. Cotton prices have broken through the 9¢ a pound level, and copper prices were watched anxiously until copper strengthened in the London market. During the Labor Day week, loadings of manufactured goods appeared in smaller volume than during the same week of 1936.

## Cotton Mills Dissatisfied

Though there has been some improvement in cotton textile buying over the past few days, 80% of the combed goods mills are reported agreed to shut down their mills for a week this month, because of dissatisfaction over prices offered by buyers. A number of printcloth mills have gone on a three-day-a-week basis. Backlogs of orders for men's woolen wear fabrics have shrunk under last year's levels, and mills are reducing activity.

## Weather Helps Retailers

Such is the current uncertain situation in its coldest light. If and when the security markets take a turn for the better, the situation in production centers will also be ripe for improvement. Inventories will have been further depleted, and this condition plus favorable price factors will start orders moving again. Retailers are already reporting a pickup in buying as cool weather gets under way, and a breathing spell in retail price advances (page 17) should assuage consumers who have protested recent increases.

## Bigger Auto Output Coming

The fact that the normal seasonal lull in such an important industry as automobiles happened to coincide with a sluggish moment in general business was unfortunate. But all indications point to a brief change-over period and a rapid revival of production in the next few weeks. Final figures on production for the third quarter will show a margin of from 15% to 20% over the same months last year, and the last quarter's output should come to around 1,200,000 cars.

## RURAL ELECTRIFICATION

*For the first time in history, the number of farms having electric service has passed the million mark. According to the Edison Electric Institute, there were 1,138,335 so situated at midyear. However, this is only 17.5% of all farms having some type of dwelling and 25.8% of farms having a dwelling worth at least \$500—that is, capable of buying electric service. Compared with a year ago, electrified farms have increased 32%, adding 278,297 prospective customers of electric appliance distributors.*

## Steel Slows Down

Steel buying for this first batch of 1938 cars has been coming along rather slowly. This, plus the fact that buying for heavy construction and for railroads is also at low ebb at the moment, accounts for the slowing down of steel activity. Ore shipments down the Great Lakes have also grown smaller after breaking all records up to Sept. 1.

## Tire Inventories Reduced

Because inventories were built up sharply to an April peak of over 12,600,000 tires, the tire industry has been curtailing its production since March to reduce the piles. By July, the latest month for which figures are available, the industry had cut nearly a million tires from its stocks on hand but still held 50% more than a year ago.

## Financing Liquor Stocks

Distillers held new production of whisky and other spirits at low levels during August, thus narrowing the gap between production and consumption. In the first eight months of the year, tax-paid withdrawals indicated that production of liquors exceeded consumption by 64%; last year the margin was 275%. New production this year has been running 56% un-

der the same months of 1936, as stocks are now well built up. The problem facing the industry is how to finance the carrying of these stocks.

## Increased Beer Sales

Brewers who got a shock when July sales failed to come up to expectations—in fact fell 3% under the year previous—felt somewhat better about August sales, which indicated a 7% gain over July and a 4% gain over August, 1936. Efforts to explain the July débâcle rested uncertainly on the question whether the July temperature had come up to the point that stimulates beer consumption.

## Record Cigarette Year

Cigarettes hit a new high for the month in August, when the tax-paid withdrawals topped 15 billions. This is only slightly less than the all-time peak established the preceding month. Obviously there was no summer slump in cigarette consumption, and the industry can confidently look to a new annual record in 1937.

## Meat Prices Won't Drop

Consumers who have berated their meat dealers for the current high cost of meat, particularly beef, will not be pleased to learn that there isn't much relief in sight. Cattle prices in the Chicago markets have recently been setting highs not seen in more than a decade. Cattle on feed on Aug. 1 were 30% fewer than a year ago, all of which means that marketings are going to continue to be small and prices high.

## Lumber Production Cut

New orders for lumber fell below those of last year during August, and the unfavorable comparison has continued into September, causing the industry to play a cautious hand and to curtail production. In the week of Sept. 11, production was still well ahead of both shipments and new orders. Stocks are larger than a year ago, but not by much of a margin.

## Fixing Soft-Coal Prices

Soft-coal producers have been absorbed in recent weeks by the problem of setting minimum prices for their product in accordance with the Guffey-Vinson Coal Act. A schedule is expected by next month, and for this reason producers have been prohibited from entering into contracts or accepting orders for delivery for longer than 30 days. Production in recent weeks certainly gives no indication of any rush to supply an unusual demand. Since June, output has barely risen above the level for the corresponding period last year, and in many weeks has slipped below it.



**TRIANGULATION STATION . . .** From Gatun Lake one may see steel masts against the sky, located at distant points in the jungle. Engineers labored to place these stations accurately before construction was begun. By these fixed guides the undertaking was planned, roads and structures located, and later built.

\* \* \*

Fixed points—carefully established basic facts—are essential to the proper conduct of business. Successful

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# BUSINESS WEEK

SEPTEMBER 25, 1937

## World Business Outlook Good

**European war isn't expected within a year. Conditions in most countries are reassuring. British industries expect renewed upward trend.**

ARE Wall Street and American business going to get a boost or a boot from business in the other great industrial nations?

In general, the outlook is good. War, while it is always possible when tensions are at their present high pitch, is written out of the picture for the next 12 months by conservative authorities in both Europe and the United States. Frictions will continue, but they are not likely to cause any greater ruptures than in the last five years. Italy waged and won a little war in Ethiopia, but no war involving a major European power can be settled so quickly within Continental Europe. With Japan completely occupied in the Far East, Moscow's voice carries more weight in Europe than it did a year ago. Britain's firm stand on the Mediterranean piracy question means that British rearmament is making real progress. With France, the British will help to keep the peace a little longer in Europe.

### The World's a Unit

The business outlook abroad is important to American business for two main reasons: If business continues to expand abroad, it brightens the outlook for United States foreign trade; if business is good in the major industrial countries, it has a good psychological effect on American markets.

Business is good in more nations than it is bad. Among the great industrial powers, the outlook is least favorable in France, most problematic in Germany and Japan.

British business has a greater influence on American than any other, and British business is good. Reports from the principal British industrial centers forecast a resumption of the climb of business activity during the fall, and profits continue to show greater percentage increases over the previous year than they did in 1936. Also, rising prices don't seem to be meeting much consumer resistance.

But the London *Economist* points to three danger signals and issues a cautious warning: The building boom which, more than anything else, started England on the road to recovery, is tapering off. Construction volume in 1938 will probably be smaller than in



**HE STEPS OUT**—Dr. Hjalmar Schacht, the one member of the German high-command who has commanded the respect of world business men, moved out of the Economics Ministry last week, adding uncertainty as to Germany's future economic policies.

1937. Rising prices, as they boost the cost of living, will necessitate industrial adjustments. But "of greater significance is the subtle change in psychology which has been discernible in the markets since the beginning of this year. The Stock Exchange reached its peak in January, and industrial shares have since fallen by fully 10%. This change in tone must be listed as one of our most significant danger signals.

... The omens point to an active autumn, with further records in production and turnover of goods. But it begins to look more likely than it did six months ago that next year will see some recession." The stock market traditionally looks forward; industrial results are retrospective.

### Canadian Outlook Bright

Canada is our best foreign customer, but the Dominion does about two-thirds of its business with Britain and the United States, which means its economic trend follows closely these two countries. In spite of the drought, farm income will be uniformly higher than last year, except in Saskatchewan. Retail sales are running more than 10% ahead of last year. Earnings and dividend payments are larger than a year ago. Lumber shipments have been reduced by high shipping costs and curtailed orders from the Far East, but there is a continued heavy demand for most other raw materials.

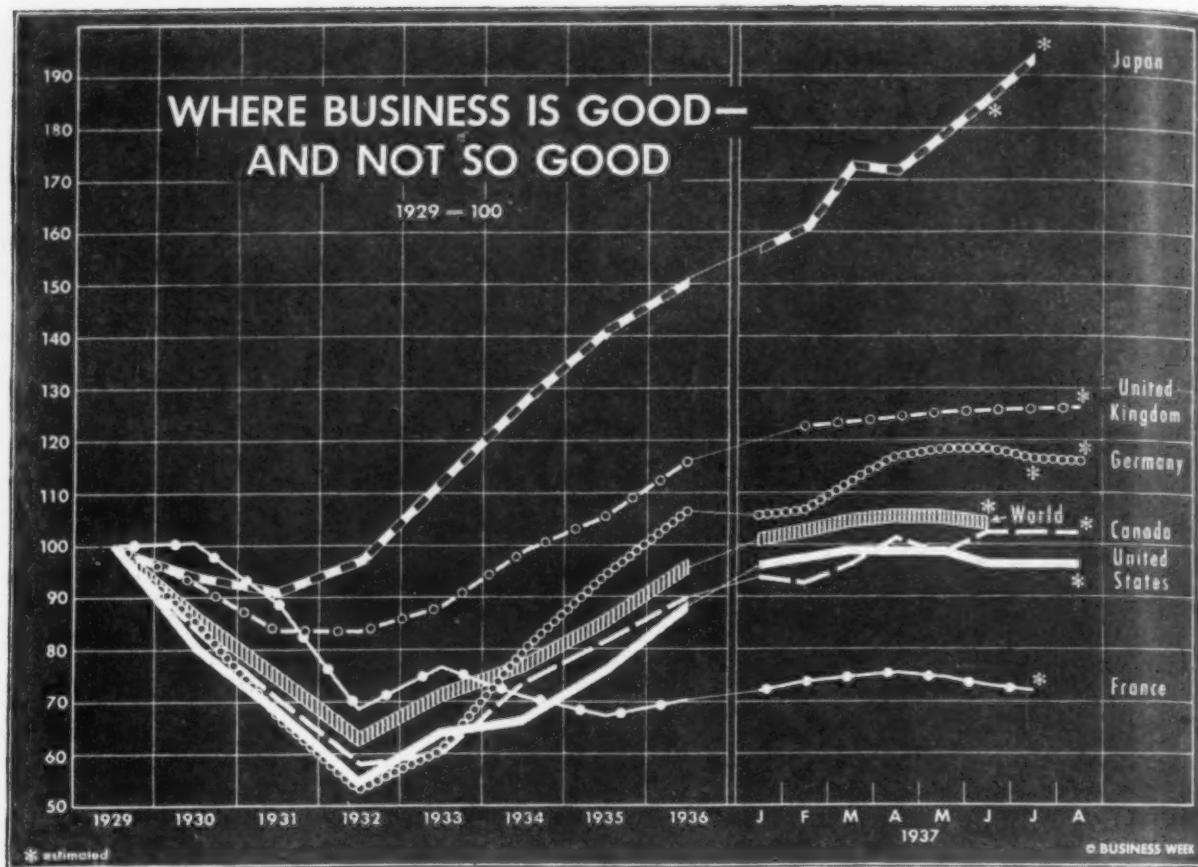
### Smaller Nations Expand

In some of the smaller industrial countries of Europe, there are evidences of further expansion. Belgian business is progressing in spite of the temporary political crisis. Austria, Czechoslovakia, Holland, the Scandinavian countries are all enjoying considerably better business than a year ago, and even Poland is showing signs of improvement.

Brightest foreign markets for other than rearmament supplies in the last year are the countries which supply raw materials and which have benefited from the huge demand and higher prices for their products. Argentina, Chile, Mexico, Canada, South Africa, Malaya, and the Netherland East Indies have all piled up huge credits which they are spending for manufactured goods.

If the commodity price trend continues to drop off as it has in the last few months, it will affect the volume of orders from these countries. General feeling in the markets, however, is that the present price slump in most lines is temporary.

Spain, though engaged in a costly



and bitter civil war, has set up its own buying and selling agency in New York and intimates that it may buy more in this market than in the last normal trade year. The Soviet Union is pledged to buy at least \$40,000,000 worth of American goods here in the trade year beginning in August, and may exceed that amount due to the rush to overhaul various key industries—particularly aviation—which produce potential war equipment.

#### General Outlook Encouraging

For American business, the outlook abroad is, in spite of the war threat, encouraging. The United States is just entering its big export season. Wheat will be exported in large quantities for the first time in several years. Though it has already laid in large supplies, Japan has decided to continue purchases of raw cotton through our normal export season. Cotton sales to Germany are climbing under the impetus of the barter arrangement completed early this year.

Japan is out of the scrap steel market, but this is only temporary and European buyers are increasing their purchases for accelerating arms programs. It is likely that our foreign trade deficit of nearly \$150,000,000 will dwindle to insignificance before the end of the year. It may even be wiped out.

France faces further monetary troubles which may come to a head this winter, or may drag along for another 12 months. Further franc devaluation, however, has been more or less discounted in the major industrial centers, and France has been little more than a sympathetic member of the tripartite monetary agreement for a long time.

#### Germany Uncertain

Germany's course is uncertain. With the unusually able Dr. Schacht out of the Economics Ministry, world business is prepared for almost any kind of unorthodox economic program, but for the moment the major developments will primarily affect domestic business, which is threatened with an ever stricter control by the government.

One of the popular fears in Britain is that business will slump when war orders are completed toward the end of next year. The more optimistic, including the *Economist*, point to the recent marked expansion in exports as an indication that British industry is already preparing to take up the slack by making a new drive for foreign markets. This week's hint from Anthony Eden that London is eager to get behind the Hull plan for an Anglo-American trade pact is a good sign that a new drive for international trade may already be under way.

## Duce's Son Into Films

**Vittorio Mussolini goes to Hollywood to sign technicians for Italian cinema venture.**

MUSSOLINI, like other dictators, realizes the value of movies as a foreign and domestic propaganda weapon. On payments forced from American producers, he has built a super-super film studio near Rome. Having obtained necessary initial financing from this country, he now indicates that he is prepared to step out into competition with American films.

Hollywood announced last week that Mussolini's 20 year-old son, Vittorio, was headed this way to recruit technical crews for a new film venture. He is president of an Italian subsidiary of Metro-Goldwyn-Mayer. His associate is Hal Roach, veteran maker of comedies. Output of this new producing team will be released in this country through M.G.M.

Papa Mussolini promises to force an Italian movie industry at any cost. That is bad news for American companies. Evidence of methods already is at hand. All American pictures have to be "dubbed" with Italian sound for distribution in that country. Italian casts must be used. In addition, each picture must pay a dubbing tax ranging from \$2,625

MOVIE M  
their pres  
Now Vito  
Mussolinis

to \$5,775. The rate was hiked to those figures last spring from a flat \$1,575.

Under the old rate, American companies paid Mussolini's government over \$1,000,000 during 1936. So you see what can now be expected. In addition to hiking the tax, Mussolini welched on an agreement with Will Hays and cut the import quota from three-foreign-to-one-Italian to a two-for-one ratio (BW—Jun 26 '37, p 50).

Above items explain the report that young Mussolini and Roach have \$6,000,000 to spend on four operas. Hollywood hears that the first will be a Laurel and Hardy parody on *Rigoletto*. One film, *Scipio Africanus*, has come from the palatial Roman studio. It has some effective mob scenes but is killed by atrocious sound.

The hook-up with Roach means that Il Duce hopes to crash into American theaters with Italian films. England has been none too successful in subsidizing a cinema industry with this in mind. The Italians plan to make two takings of each picture; one in English and one in Italian. English versions will be made principally with Italian actors who speak our language. Hollywood does not worry over the possibility that Mussolini-made films may cut into the home market. It does worry plenty about the implications of Vittorio's visit.

He married recently and announced plans for a honeymoon trip to America. When this was cancelled everyone breathed a sigh of relief. There are thousands of Italians in the United States who were driven out of their country by the Blackshirts. If anything happens to young Mussolini it will be just too bad for the Italian business of American film companies, to say nothing of complications with Washington.

## Not Sellers' Market, Nor Buyers'

**Prices are on a give-and-take basis, awaiting some impulse to stimulate business. This may come in buyers' response at automobile shows.**

PRICES have settled—down. It's neither a buyers' market nor a sellers' market. It's a give-and-take market that business is having. And this week sentiment was on the damp side.

When prices are moving up and inventory-buying assures a steady demand for raw materials and semi-finished and finished goods, the pace of industry steps up steadily and certainly. Then business generates its own momentum by its own buying. But now an outside development is needed to regenerate the energy of late last year and early spring.

For this outside impulse there's no need to search far afield. Watch what happens the next few months inside department stores, groceries, and specialty shops. If there is a spurt of buying, if cash registers ring often, if extra salesmen are rushed into action for the holiday trade, all industry will get a lift—not only manufacturers of consumers goods, but heavy producers that turn out the machines used by finished goods manufacturers.

### Car Shows a Test

Outstanding test ahead is how buyers respond to offerings next month at the automobile shows. Already numerous price markups have served to stimulate buying of this year's cars, possibly to jump the gun on further advances on new models. Now it remains to be seen whether this belated spurt will take the edge off sales of 1938 cars.

To date, the price pattern has run true to form. Raw materials have been moving down since March, and semi-manufactures slumped sympathetically. But finished products, which normally lag, curved up slowly and steadily to July, before leveling off. (Here, relatively inflexible labor costs and the belated effect of higher-priced inventories account for the relative insensitivity.)

### Some Prices Easing Off

Retail prices (see charts, page 17) are still at their highs for the most part, although there has been some easing off in the last several months. Meats, because of scarcity, are way up and this has been reflected in butcher shops. But in clothing and house furnishings the price trend has flattened out or turned down. In men's clothing and in shoes, large distributors have been going through the hoops adjusting their prices to buyers' pocketbooks. All of which has created a certain instability in the retail price structure over recent weeks.

In heavy industries, price concessions are few. Steel quotations for the fourth quarter (BW—Jul 4 '37, p 11, 38) have been reaffirmed and major producers are apt to hesitate long and often before shading posted prices in view of the Robinson-Patman anti-price-discrimination law. New business coming in continues to be unsatisfactory, however, and the temptation to cut exists—to get new business from the other fellow.

### Copper, for Instance

In the non-ferrous metals, declines from high prices earlier this year have been substantial. Copper, for instance, has dropped from 17¢ to 14¢, but even so stocks have been increasing for four months. Lead and zinc are in less vulnerable positions, statistically. Over the nearer term, no sudden advances are probable. Rather, digestion of available supplies is the logical order of things.

In the early phase of recovery, supply was the important side of the price equation, as stocks got down to the vanishing point once buying started; but today demand has become the prime factor. In farm prices, for example, the bumper crops were not the sole influence in the price breaks over the last few months. Even with large crops (cotton excepted) supplies were not excessive. The possibility that foreign demand would not come through proved the tipping-off influence.

But there is no getting away from one fact: buyers are no longer on the anxious seats. They are biding their time. In



**MOVIE MAGNATES**—Il Duce, his eldest son, Vittorio, and Vittorio's new wife lend their presence to the taking of a scene at the government-financed studio near Rome. Now Vittorio is visiting Hollywood to learn American production methods, and the Mussolinis hope the result will be more and better Italian movies.



some industries, purchases are being made only when raw materials producers and manufacturers of semi-finished items offer concessions. There is only moderate inspiration to expand inventories, and then the motivation is a special industrial requirement.

### Lid Is Still On

The point is that inflation is no longer "talked." Washington clamped the lid down on that in the spring and the lid has stayed down, despite recent monetary efforts (*BW*—*Sep18'37*, p13) to encourage expansion. Back in the spring, "inflation" buying came simultaneously with heavy rearmament demand, and steel production advanced to 92% of capacity. Today, calls from the munitions makers continue steady, but they are no longer urgent, as recent softening in steel scrap quotations indicates.

For the business man who likes to see a steadily rising price curve ahead of him, the immediate outlook is not encouraging. Though there are no signs of acute weakness, there are also no signs of marked strength. Business executives have turned cautious; they hesitate to run the risk of year-end mark-downs, which will not do their 1937 income accounts any good. For that reason, the immediate trend in prices would seem to be slightly downward, but with little, if any, distress selling (see inventory summary box). Over the longer term, particularly if fall retail business surpasses last year's level, buying should reassert itself, and prices would shift into higher ground again—which would be the normal cyclical "next move."

## Corn Squeeze Inquiry

**Prices move wildly, even after longs are induced to let up. Now CEA asks full reports.**

CALL it a "corner" or call it a "squeeze," the Chicago Board of Trade has been called on in the last fortnight to settle one of its toughest problems in years. With the aid of the Commodity Exchange Administration, federal policeman of the commodity markets, the shorts in September corn have been extricated, if not exactly saved.

It's the first time the CEA has had a short squeeze on its hands. It was feared that just such a situation was developing in corn a month ago, and again a year ago, but neither materialized. This time it was real. Last year's scanty corn crop had been almost entirely consumed. A lot of traders had contracted to deliver corn on September contracts—not later than Sept. 27. They didn't have the corn and couldn't get it. To buy in their contracts, or "cover," they would have had to pay through the nose.

Almost daily for 10 days the CEA

## Inventory Report

Rounding into the fourth quarter of the year, business is comfortably situated on inventories—neither overstocked nor understocked. Fears that industry would be frozen and buying shut off suddenly seem unwarranted.

That is the conclusion that *Business Week* is able to offer from a study of the inventory situation which has been checked and tested by a telegraphic survey of key companies, carefully spotted to give a confidential cross-section report on industrial inventory policy.

The survey itself showed that about half of the companies were maintaining inventories at current levels; about a third were reducing stocks on hand; some had adopted flexible policies, waiting to see what autumn retail buying looks like; a few were expanding.

Among the clothing manufacturers there is a note of caution. Heavy buying in the spring resulted in building up of stocks to anticipate price advances. Now leading companies are awaiting seasonal sales to cut down their inventories to "normal." Paint manufacturers, on the other hand, are more confident, feeling that prices are fairly stable and that this is not the time for curtailment.

Generally, inventories are down from 15% to 35% from their post-depression peaks of last winter or early spring. Most companies, following the hectic buying on inflation talk, adopted the cautious program advocated in *Business Week* last April (*BW*—*Apr10'37*, p61), so as not to be caught again in a price collapse similar to the early 'twenties.

Department and chain stores are on the fence, waiting for fall results. Indeed, business as a whole is watching what retail trade will produce over the coming three months. The question is: Will high farm and industrial purchasing power come through to the retail counter? That's the payoff (*BW*—*Sep18'37*, p15) at this stage of recovery. Not until purchasing agents know how the public responds to somewhat higher prices will they again take out their checkbooks to replenish stocks on a large scale. Right now the dominant policy is to maintain approximately three months' stocks on hand—just enough for seasonal requirements.

men in Chicago held conferences with the Board of Trade's business conduct committee. On at least one occasion, they are reported to have worked far into the night.

What was done in these sessions is fairly clear. The price of September corn dropped from its high of \$1.16 3/4

a bu. on Sept. 17 to below \$1 on Sept. 20. Later this week it steadied near \$1.05, then soared again. That, to the initiated, meant that some longs must have been talked into letting go of their contracts.

But this wasn't accomplished without two weeks of wild markets. Public attention first was attracted to what was going on by an order of the Board of Trade's clearing house that all members should double the margins posted by customers trading in corn. Many firms went the order one better—boosted margins to 12¢ and 15¢ a bu. in contrast to the 8¢ required by the clearing house. Later the clearing-house raised the minimum to 12¢, a record high.

### Shorts Couldn't Cover

Meanwhile the shorts, who were signed up at the end of August to deliver more than 20,000,000 bu. of corn before Sept. 27, started to buy long contracts in order to cancel out their obligations. They scoured the corn cribs of Iowa, Indiana, Illinois, and Ohio to find grain for delivery—and turned up about 3,000,000 bu. They scrambled for foreign corn as it reached ports, but found that most of it wouldn't meet Board of Trade specifications. They even got hold of a little corn from this year's crop which had been dried mechanically so that its moisture content would pass Board of Trade inspectors.

Yet, after running the price up from 94¢ on Sept. 2 to nearly \$1.17, the shorts had reduced their commitments only by half at the start of this week. They still were signed up to deliver over 10,000,000 bu. This, presumably, was what prompted CEA to send out an order telling all registered houses to report all open commitments in September corn. CEA daily gets reports on the big operators, but in this case it wanted to know even what the little fellows were doing.

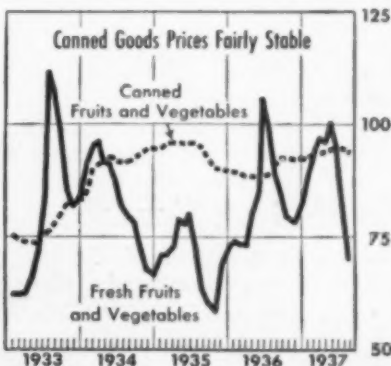
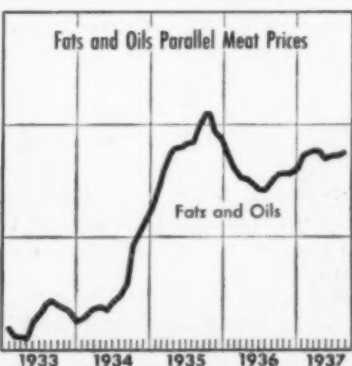
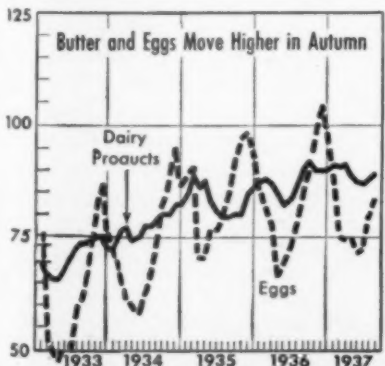
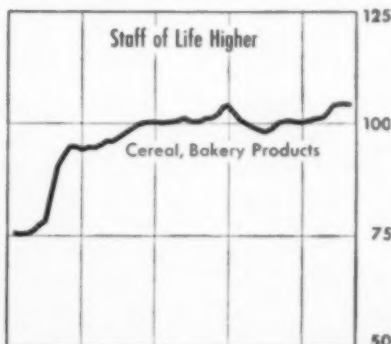
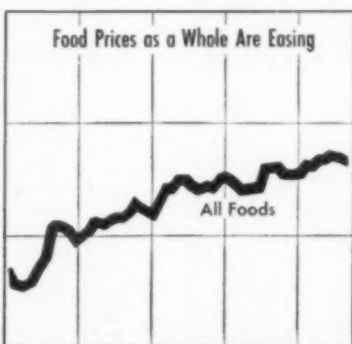
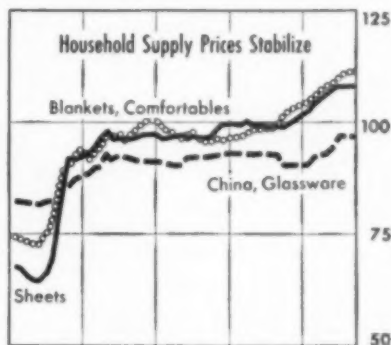
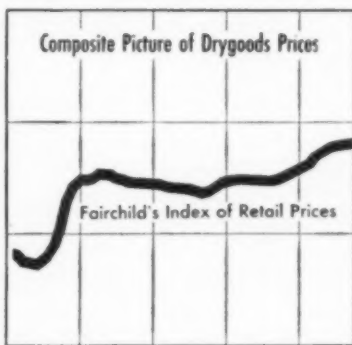
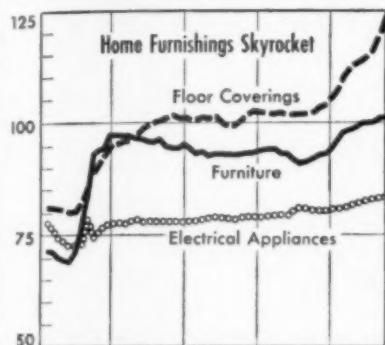
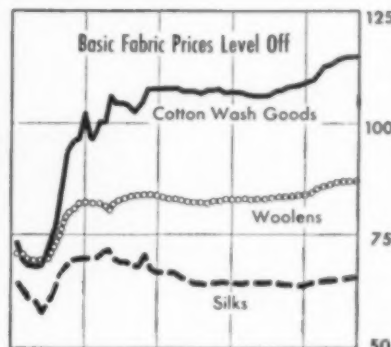
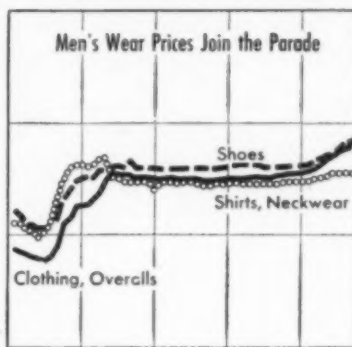
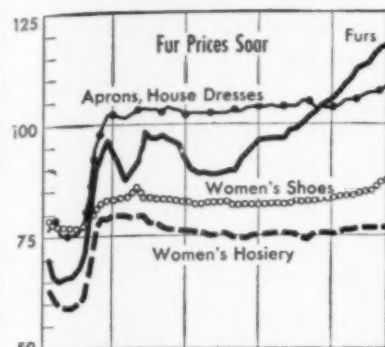
### Disciplinary Action Unlikely

It is doubtful if the CEA, in these new reports, seeks any names of traders for disciplinary purposes, as neither the commission nor the Board of Trade has indicated that there has been any undue speculation detected. Most of the long contracts are in the hands of a big grain house, Cargill Grain Co., which wants corn. One commission house, its customers, and the Farmers National Grain Corp., are reputedly the major shorts. The Farmers National has been delivering grain against its contracts, as it obviously must have intended to do all along.

If CEA has any disciplinary measures in mind, it knew before this week whose accounts would be examined. Also, it doubtless knew, some time ago, if there was any truth to LaSalle St. gossip about some personal animosities in the squeeze.

# BEHIND THE "BUYERS' STRIKE"

Retail drygoods prices start up after three years of stability, while food prices have risen for nearly five years



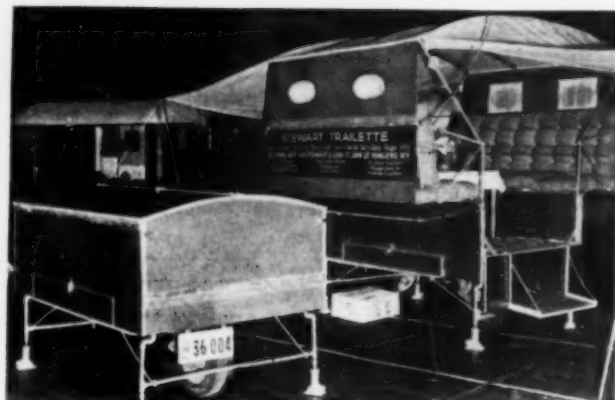
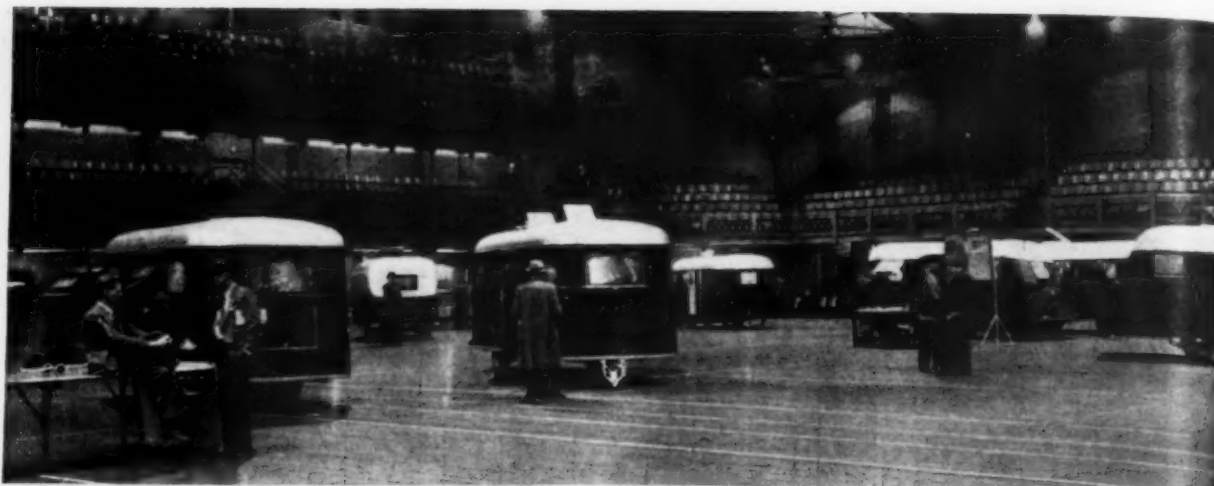
Note: Drygoods, Fairchild's Index of Retail Prices, Jan. 1931=100

Foods, U. S. Bureau of Labor Statistics, Dec. 1930=100

© BUSINESS WEEK

**STABILITY AHEAD**—This year's spurt in retail prices is blamed by many for the less-than-expected gain in sales this summer. However, recent breaks in major wholesale markets

suggest a halt in this upward movement, particularly among dry goods. Among foods, meats have encountered most resistance, and lower prices are likely to be more remote.



### Trailers Are the Whole Show

With the cooperation of seventeen trailer manufacturers, the first independent display of trailers (above) ever held in a metropolitan city of the United States opened this week at New York. Cherishing the hope that its exhibit of models, ranging from the small two-wheeler to the elaborately-furnished home-on-wheels, will stimulate an increase in the population of trailer-users (already near 2,000,000) the industry has high expectations of seeing 200,000 trailers in New York during the World's Fair of 1939. At the left (middle picture) is a sample of the luxury which visitors to the trailer show have been seeing: an interior ingeniously equipped with fireplace, radio, and couches. The Stewart Trailette (bottom picture) is one of the exhibit's features. When it actually "trails," the supports at the lower four corners are tucked up and it runs on one wheel. But when the roaming automobilists stop, they can, as the photo demonstrates, unfold an entire dwelling out of their unprepossessing little box. The trailer show was postponed from Sept. 10 in order to coincide with the American Legion's convention in New York this week. Hundreds of legionnaires were said to be using trailers en route to the city. Trailers, in their turn, had a part in the legion's parade.

### Distribution Confab

**Boston conference discusses labor costs, increased efficiency, and broader markets.**

How to heighten efficiency, eradicate waste, develop broader markets, allay the collisions between management and labor, cope with governmental intervention of one sort or another, and increase profits were questions discussed this week before 500 delegates to the

Ninth Boston Conference on Distribution. The questions were grouped under the heading, "Distribution Costs, Prices, Manpower."

"Labor's demands for higher wages would be greatly strengthened if more could be said about increased productivity and less dependence placed upon threats of force," declared Dr. Paul H. Nystrom, professor of marketing at Columbia University and president of the Limited Price Variety Stores Association.

"It would be the beginning of a new era if leaders of labor were to sit down together and consider not merely the division of the present product but also the more important project of increasing the national income."

Dr. Nystrom said that higher operating efficiency must accompany wage increases; otherwise price rises will put a brake on sales. He presented a program which included the incorporation of labor organizations under state and federal laws; the federal prohibition of





"MURDER RUNS" give truck and bus tires their worst punishment. On these runs, terrific internal heat is generated by heavy loads carried at sustained high speeds over long distances. The Beatrice Steel Tank Manufacturing Co., of Beatrice, Neb., hauls steel tank and heavy steel pipe over a wide area. Its average trip is 425 miles. Conventional tires, even Goodyears, never topped 25,000 miles—often failed at 12,000. But now a set of the sensational new Goodyear YKL Tires, built with Rayotwist, has 65,000 miles to its credit.

## "TEN TONS ON A 'MURDER RUN'—SURE, THAT'S TOUGH ON TIRES, BUT I FIGURE MY LOADS IN POUNDS"



MAKE NO mistake about this: Most trucking operations have no need for a super-tire such as the new Goodyear YKL.

But every truck owner wants the greatest mileage per dollar that he can get from his tires.

That's why the records now being established by the Goodyear YKL on "murder runs" are important to owners of all kinds of trucks in all kinds of service.

The same Goodyear engineers who have developed the YKL for the "murder runs" have produced many other types of truck tires, each one for a specific type of work.

And every one of these Goodyears, correctly used, will give you more mileage per dollar

than you have ever before been able to buy.

Possibly your truck makes frequent starts and stops, with low or moderate speeds in between. Then the Goodyear Stop-Start Tire is your logical choice.

Possibly it is a dump truck calling for the Goodyear Dump Truck Special or the Goodyear Pneumatic Lug.

Goodyear builds the world's most complete line of truck tires and your Goodyear Dealer can help you reduce your truck tire costs sharply if you will talk to him when you next need tires.

Put Goodyears—the right Goodyears—on any job and watch your mileage jump!

### CAUTION!

Goodyear engineers now recommend the new YKL Tire only for the most destructive types of service—those "murder runs" over long distances at sustained high speeds.

In ordinary trucking, its extraordinary capacities cannot be fully utilized—and, frankly, its higher price cannot be justified.

But for operators of trucks and busses on "murder runs" Goodyear recommends the YKL Tire with full confidence in its ability to set new and spectacular performance records—to effect great savings as compared with conventional tires.

Such operators are invited to write direct to The Goodyear Tire & Rubber Company, Inc., Akron, Ohio, for full particulars.



*The New YKL*  
BUILT WITH  
RAYOTWIST®

TRADE MARK REGISTERED



# GOODYEAR

## TRUCK AND BUS TIRES

HERE'S A TIP FOR YOU TO ACT ON . . . THERE'S A REAL KICK IN A GOODYEAR BATTERY

campaign contributions by such bodies; and reconsideration of the public's rights in regard to strikes and picketing.

Exhorting labor and management to "forget their supposed antagonism," Oswald W. Knauth, president of the Associated Dry Goods Association, deprecated President Roosevelt's labor policy, which he pronounced "a backward step."

### Must Work Together

Many speakers stressed the necessity for cooperation between management and labor in rebuilding markets shattered by the depression, and commended the "trustee attitude" of the modern executive in contrast with that of the pre-war industrialist.

Alfred G. Buehler, professor of economics at the University of Vermont, asserted that the undistributed earnings tax would "probably operate to increase rather than decrease economic fluctuations." Commenting on the Supreme Court's decision on the Louisiana chain store tax (*BW*—May 22 '37, p. 15), he said that "Congress may impose a national punitive tax on chain stores and other national distributors."

According to Charles Coolidge Parlin, of the Curtis Publishing Co., "Today's generation, whatever it may say with its lips, expresses in its purchases

its faith in advertised products." Mr. Parlin criticized government standards for advertised goods.

Steady work is the only real social security, asserted Robert Amory, of the Nashua Manufacturing Co. He urged manufacturers and retailers to attempt an even flow of goods through the year. Artificial prices, he declared, have never worked as a means of stabilizing business and employment.

"Business should heed the warning of higher prices by President Roosevelt on the Miller-Tydings bill and play fair with the consumer," according to Associate Professor E. P. Learned of Harvard University.

A defense of reciprocal trade agreements as fundamental aids to the world's stability and peace was presented by Secretary of State Hull.

## Rails Less Hopeful

**Freight will not reach expected peak. Rate boost won't offset bigger wage bill.**

VISIONS of 900,000 carloads of freight a week during the peak movement of freight this fall have gone glimmering. There is no assurance now that goods will move in such volume, notwithstanding bumper crops.

That is trouble No. 1 for the country's railroads. But there are others, principally on the expense side of the ledger. Labor demands a 20% wage increase. Though it will not get it, the Brotherhoods want more than the 5% proffered, and the ultimate verdict in arbitration probably will range from 7½% to 10%. That will cost the carriers, in all, something like \$150,000,000 annually.

### Car Limitation Urged

Then there are proposals for 70-car freight trains. The unions want that limitation allegedly for safety, but there is a prevalent suspicion that it is part of a broad make-work program. That will add another large out-of-pocket cost to the carriers' budget—if it comes to pass.

The only immediate bit of pleasure is a pending rise in freight rates. The Interstate Commerce Commission is expected to act on advances in tariffs in basic commodities in the early part of next month. Most likely selections for a boost are bituminous coal, iron and steel, coke and ore. (Purchasing agents in mapping out their buying programs might consider this.)

Even if the railroads get a rise in rates, it will not offset the boost in labor costs. Revenues from probable freight boosts may come to \$40,000,000; and if all requests are granted, they may amount to \$70,000,000 to \$75,000,000 annually. A boost in October, moreover, will prop fourth-quarter earnings—or rather will offset increased labor costs which are certain to take effect during the last three months.

Railroad men, on the whole, are not gratified with 1937 results. Though gross—both passenger and freight—has exceeded 1936 by a good margin, less has been transferred to net because of higher costs. Moreover, the lift in traffic, which it was hoped would materialize this fall, now seems less than seasonal—which again is a slap in the pocket-book.

### Some More Expense

And just to make the railroads a bit more uncomfortable, Special Examiner H. C. King of the Interstate Commerce Commission has recommended that the roads equip 3,500 locomotives with automatic stokers. Labor has been agitating for this for seven years as a safety measure. The cost is estimated at "not more than \$11,000,000."

The net result has been to slow up railroad equipment buying; and until the wage and rate questions are settled, railroad purchasing agents are apt to pursue highly cautious policies. Most roads feel that their present facilities are sufficient to take care of the current level of traffic. A 900,000-carload week was needed to stir them up—and it has not come yet.



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handbook just published, "Wrought Iron—Its Manufacture, Characteristics and Uses" and mention product or type of service involved. A. M. Byers Company, Est. 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

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Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

# Dealers Get '38 Cars

**Manufacturers start sending out new models, after shortest shutdown in history of auto industry. Sales depend largely on instalment terms.**

DETROIT (Business Week Bureau) — After the shortest shutdown in history (Buick was idle only five working days), the automobile industry is starting to stock dealers with 1938 models. Employment has slumped less than during any previous layoff period. From a high point for the year of 77,103 workers on May 20, Chrysler's force gradually dropped down to a low of 41,428 on Sept. 2 and has been rising steadily since then.

Despite stiff price advances, car manufacturers are confident of big sales next year. Nobody is so rash as to predict an increase over this year, when total production will be around 5,100,000 units. Some, however, expect 1938 to equal 1937, but others wouldn't be surprised if output should be off 500,000 units. In any event, somebody seems doomed to be disappointed, because each company is claiming that it is sure to get a bigger share of the market than this year.

## Price Differentials Decrease

No car executive is willing to admit even privately that price increases might result in a stepping down by retail buyers into lower price brackets (in contrast to the stepping up the past two years).

The usual argument against such action runs like this: the differential between various price groups has narrowed through the years and today is the smallest on record, being no more than \$40 to \$50 in many cases. With incomes

still going up, buyers aren't likely to develop suddenly an overwhelming urge for economy.

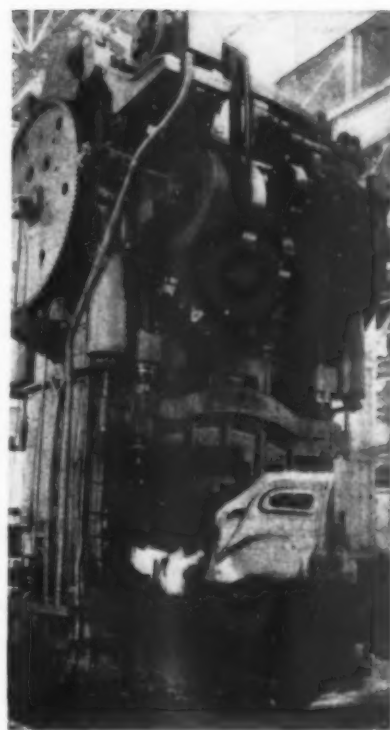
Yet another angle on the question of increases—low price car makers the past year haven't been able to build more cars than they actually have turned out. If this condition should persist in the months ahead, a large number of purchasers will have to take cars in the medium-price range or drive their old cars longer (and there is always a chance that they may do the latter).

## "Workers" Have Been Buying

The car sales bulge this year as against 1936 comes from the new-car buying done by the working class—factory employees, carpenters, painters and paperhangers, and so on. This group had been out of the market since the early days of the depression and a large percentage didn't even try to trade in the "old crate" for a less antiquated used car.

Whether these buyers will continue to be an important factor in new-car sales depends pretty much on the policy of finance companies. If car finance terms are tightened and the time for payment shortened, new-car buying by the working class will decline sharply. It is the \$25-a-month payment plan that brought many of this class of buyers back into the market.

Independent car companies are in a tougher spot than the Big Three for 1938. Their profit margin, because they haven't been operating at capacity



International

One of the auto industry's gargantuan machines—a press, 4½ stories high, used to stamp out the rear panel of a Pontiac trunk sedan.

(Packard is an exception), has been less than that of the big fellows. Yet they can't raise their prices much above those of competitors and stay in the running. However, so long as the public continues to go for new cars as they have the last 12 months, the independents haven't too much to worry about. While the Big Three operate at capacity, the smaller companies get a certain amount of overflow business, not to mention the sales resulting from the worth of their products.

## Few Style Changes

The industry is in the thick of press previews, sales meetings with dealers either in the field or at factories, and other preparations for formal introductions of new models over the next 30 days and for the annual shows around the country which start with the New York Show at Grand Central Palace on Oct. 27.

The style "flashes" in '38 are likely to be Graham and Lincoln-Zephyr. Graham has been redesigned completely by the late Amos Northrup, one of the industry's most brilliant designers. Because of delay in securing new body dies, it won't be in production until late in October. Lincoln-Zephyr is set to cause a stir by its new styling; its factory capacity has been enlarged to build 400 cars in a 16-hour day the coming year.

Most cars for 1938 haven't changed



Business Week

Workmen repolish the surface of a 20-ton die that forms the roof, front and back window openings, and cowl of a Plymouth—all from a single sheet of steel.



## DIESEL NEWS

*A monthly column devoted to results obtained with "Caterpillar" Diesel Engines on various power jobs.*

**Making Good at Suez.** Two 80-hp. "Caterpillar" Diesel Engines were chosen by an American oil company to drive 8-inch pumps at its ship-fueling station at Suez, Egypt. These units pump Diesel and bunker fuel to ships using the canal. They also act as boosters to the pumps of tankers unloading supplies for storage.

**First State-owned Diesel in W. Va.** When the West Virginia State Roads Commission decided to try Diesel power, they chose a "Caterpillar" 100-hp. Engine to run a rock-crusher. On year-round duty, this engine has lived up to all expectations. Operators' enthusiasm is based on sure-fire performance and low fuel cost of only 36c an hour.

**Cuts Cost Two-thirds.** Halifax Roller Mills, Virginia, installed a "Caterpillar" Engine, saved 2/3 of former power bills. Using 30c worth of Diesel fuel an hour, mill turns out 120 bbls. of flour in 24 hours. Engine will write off its cost in three years.

**Diesels Do Dairy Duty.** In a Missouri creamery, two Diesel-electric generator sets started saving on power costs in 1935. Resulting operating profits prompted expansion and the purchase of an additional set. These three "Caterpillar" Diesel-driven generators have 190-kw. capacity, are making current for 7.2 mills per kwh.

*Investigate the possibilities of these engines for your power needs. A dealer near you can furnish facts and figures.*

**CATERPILLAR TRACTOR CO.**  
PEORIA, ILLINOIS



WORLD'S LARGEST MANUFACTURER  
OF DIESEL ENGINES, TRACK-TYPE  
TRACTORS AND ROAD MACHINERY



**BEHIND THE AUTO SCENES**—Before production is begun on new models, every inch of factory floor space is carefully plotted and the layout of machines is planned with painstaking deliberation and skill to facilitate the smooth flow of parts and materials. Above, Chevrolet planners use colored pins to visualize the flow of work.

enough in appearance to cause any excitement. Big tool and die changes come about every two years, and '38 happens to be an off year. Except for minor refinements, bodies of many cars are identical with those of 1937. There is the story of one newspaper automobile editor at a preview party who jumped in a new car which looked like all the other new ones and drove it over the prescribed course. It wasn't until he returned that he found out it was a 1937 instead of a 1938 model. Of course, the sameness of exterior appearance, except for a new radiator grille designs, is grand for owners of '37 cars, because their cars won't depreciate so much in value.

### Few Mechanical Changes

New mechanical developments are few. Buick will feature "torque free springing" which centers around coil springs at the rear, the first time such springs have been used for rear springing. This is believed to be a forerunner of some form of independent springing for rear wheels in cars from other companies in 1939.

Buick will have an automatic transmission, similar to that available on the Oldsmobile sixes and eights, as optional equipment on its 40's. Other companies have resorted to various kinds of automatic shift and to other devices to "clean up" front compartment and remove the gear-shift lever. Hudson-Terraplane pioneered automatic transmissions in 1934 when it offered the "electric hand," and it has equipped over 150,000 cars with that device.

Engine power is being stepped up by means of minor improvements. All companies have altered car interiors and enlarged them a bit with an eye to greater comfort for passengers. Luggage space at the rear is about the same as in '37 models. Packard has lengthened the wheelbases of its One Twenties and sixes, but wheelbases of most cars are the same.

Studebaker was the first to announce on Sept. 24; it was followed by Hupmobile, which is in production after a 16 months' suspension. Packard will be along late this month. The majority of introductions will come from Oct. 11 to show time.

Car makers will enter the 1938 season with the strongest dealer setup in years. Hudson, for example, has added 1,446 new distributors and dealers the past year. Buick has 2,831 dealers, the largest number in history and 40% more than in 1933.

### Dutch Bread-Freezing

**Netherlands baking firm preserves freshness of loaf for as much as two weeks.**

**FREEZING** bread to preserve its freshness is not a new idea (*BW—Feb 15 '36, p. 9*) but the cost of such operation, added to other costs, has prohibited general commercial development. Pushing the research along, chemists and technicians here and abroad make reports from time to time. Latest notable effort is that of a Dutch baking firm (Ver der

# ELEPHANTS *can forget about this ivory business*



**T**HE WAY things are going, pretty soon the only purpose elephant tusks will serve is to grace the trophy rooms of big game hunters, or to give color to jungle moving pictures. For Du Pont produces grained ivory-like plastics that are being used today by manufacturers for a host of diversified products.

Thus another chapter is added to the story of Du Pont Plastics—a story of study and research out of which come new materials to replace such age-old ones as pearl, bone, rubber, ivory, wood, metal and glass—and to

bring into being many new articles of beauty, strength and utility. No one plastic can meet all the varied demands of industry today. That is why Du Pont manufactures six plastics, which you'll find described in a special panel below on this page. And Du Pont research continues, in order to find new plastics to meet new requirements of industry.

Du Pont maintains a technical advisory service to help manufacturers and designers adapt plastics to make their products better, more beautiful, more economical to produce. Why not make use of this service, which



(above) Du Pont Plastics were used to make these products — which were formerly made of ivory.

has already proved so helpful to many manufacturers? Write Du Pont, Arlington, N. J., for information.

## AMONG DU PONT'S LINE OF PLASTICS ARE:

"Pyralin" cellulose nitrate plastic; "Plastacele" cellulose acetate plastic; "Lucite" methyl methacrylate resin; "Phenalin" cast phenolic resin. These four plastics are available in sheets, rods and tubes. For injection and pressure molding, there are: "Plastacele" cellulose ace-

tate molding powder and "Lucite" methyl methacrylate molding powder.

\* "Plastics" are man-made chemical combinations of nature's raw materials. Solid at ordinary temperatures, they become soft and pliable when heated. Molded under pressure, they take and retain desired shapes.



# PLASTICS

Meer & Schoep) which is used as a case study by H. J. Onnes of Rotterdam in the forthcoming issue of *Food Industries*.

Dutch laws restrict night work; consequently it is difficult for bakers to deliver fresh bread in the mornings to customers. Ver der Meer & Schoep accordingly tried freezing, in huge vaults, and succeeded in preserving the freshness of the bread for long periods—up to two weeks, in one test.

#### How It's Done

Describing the process, Mr. Onnes lists these steps: first, cool the bread naturally for three hours (to about 95 deg. F.), then place in the vault which has been cooled to —13 deg. F. Cover layers of loaves with fine-crushed solid carbon dioxide. Continue refrigerating system until vault temperature is —4 deg. F. At this temperature, it was found, the bread would remain unchanged in freshness for relatively long periods.

The Dutch firm is not using this method commercially, because of its cost. But its contribution to the science of food preservation probably will interest American bakers, faced with similar problems.

## Hard Coal Remedy

**Gov. Earle's commission prescribes purchase of reserve anthracite deposits by the state but strenuous objections are expected.**

ONE more recommendation toward the solution of Pennsylvania's hard coal troubles was tossed onto the heap last Monday. It was a report of Gov. Earle's State Anthracite Coal Industry Commission, headed by W. Jett Lauck, economist and labor counsel. The commission thinks Pennsylvania ought to take over the excess coal reserves, now a burden on the owning companies. The proposal clashes with Sen. Guffey's bill which would have the federal government assume control of surplus in the ground.

On Sept. 27 Gov. Earle will hold a powwow at Harrisburg to discuss the new report. It will be attended by members of the commission, representatives of operators, United Mine Workers, the public, and a lot of other people.

The drooping spirits of the operating companies are not heightened by the report nor by the announced meeting. The conference will have too great an attend-

ance and will include too many opposing interests to reach any effective agreement. An orgy of reports is indicated. Monday's recommendations on anthracite coal reserves is the third of the commission's output to date. Ten other reports are yet to be made. The governor probably won't take action until the last of the series is in. No man dares say when that will be.

Previous reports by the state anthracite commission covered, (a) bootleg activity, (b) monopoly and competition in production and marketing. The last study proposed a method for acquisition of the reserves by the state.

Anthracite reserves are carried by the companies at a book value of \$71,932,000. Interest on their funded debt is 5.2%, taxes on the coal deposits is 3.6% annually. This amounts to \$6,350,000 every year. The charge usually is placed against current operating expenses by the companies, adding (the commission



Business Week



**FOR METALS RESEARCH**—Back in the fall of 1935, United States Steel Corporation—then considered a bit backward despite its preeminence—began a far-flung modernization program. And in the two succeeding years Big Steel has spent tens of millions in plant expansion, has streamlined its corporate setup and operating management, and is making important improvements in its research facilities. One unit of the modernization drive is this new metallurgical and chemical laboratory of the Columbia Steel Co. (Big Steel subsidiary) at Pittsburgh, California. Equipped with the most modern facilities, the laboratory is one of the world's most complete for research in metal products and methods.

One full

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# HOW WURLITZER IMPROVES COLLECTIONS \$175,000 A YEAR

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"Credit losses cut at least 20% with Kardex Vertical Visible" . . . says THE RUDOLPH WURLITZER COMPANY

"Delinquent accounts used to run high," say Wurlitzer executives, "before we installed Kardex Vertical Visible for collection records. The efficient follow-up which this system permits cuts down our average past due accounts more than \$175,000 . . . saving us interest on this amount, besides cutting our bad debt losses at least 20%."



## One glance at the TELL-TALE EDGE gives full control of INSTALLMENT ACCOUNTS

FOR any concern handling installment accounts, Kardex Vertical Visible offers closer collection control . . . fewer credit losses . . . and worthwhile savings in executive and clerical time. Customer cards have visible tabs for quick finding. Colored signals show status of each account at a glance. Unusual flexibility of design makes insertion and removal of cards easy. The cabinet housing these records can provide full 1- or 2-hour fire protection. Phone the Remington Rand office in your city for complete facts on this money-saving Kardex development. Or write Remington Rand Inc., Buffalo, New York.



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estimates) 12.1¢ per ton to costs of production.

Federal engineers believe the state has anthracite sufficient for 175 years; industry engineers say 93 years. At present production rates (about 50,000,000 tons annually) the commission predicts that dwindling reserves will leave the industry in the hands of six operating companies after 25 years. And a few years later "it will be in the hands of four companies."

### Unusual Bond

Since tax and interest pressure may prove too much for the companies, the commission thinks the state ought to take over anthracite reserves. An unusual type of bond is suggested for the transfer.

The bonds would be exchanged at the rate of \$1 of face value for each 47.76¢ value of anthracite deposits. For the first 25 years, interest compounded annually would accrue at the rate of 3% but would not be paid. At the end of this period accrued interest and original value would total the face value of the bonds. They would then change from the status of discount bonds to coupon bonds, paying 3% interest to the end of a second 25-year period when they would be paid off. Royalties to the state for mining would be used to meet interest and amortize the issue.

The commission's idea is not apt to

get very far for several reasons. Hard up as the companies are, they don't relish the prospect of handing over their reserves to the state at pauper prices. Should the state acquire the reserves at the present book value (\$71,932,000) it would be more than a bargain. The commission estimates that there remain 9,136,000,000 tons recoverable. Valued at only 25¢ per ton, this would come to \$2,284,000,000. Much as the companies would like to ease the chafe of taxes, they probably will feel that this is too high a price to pay.

Objection from communities in the anthracite district also is certain. Last year the companies paid \$6,000,000 in school taxes. In one district the coal companies paid 85% of the total school taxes on land. Since the collection comes from a few large corporations the setup constitutes a tax gatherer's dream of Elysium. Local governments are not going to allow this good old tax cow to pass into a condition of milkless state ownership without strong opposition.

Localities would doubtless raise similar objections to the proposals of federal control embodied in the Guffey-Boland Bill introduced into the last Congress. The industry likes this measure better because it provides machinery for the recovery of the deposits by present owners. Generally it follows the lines of the Guffey measure for bituminous control.

Under the proposed anthracite law, reserve lands would be ceded to the U. S. Department of the Interior. At future dates the lands could be recovered if certain regulations were met. Otherwise the Interior Department could sell or lease the land to others. It is said this bill has a chance in the next Congress.

Other anthracite troubles continue with slight abatement. Bootleg mining proceeds at an estimated rate of 2,500,000 tons a year which is only 400,000 tons under the 1935 peak. Chiseling on union wages to the hurt of competition (*BW*—May 29 '37, p. 25) continues to be indulged in by some of the legitimate producers.

## Checks Sugar Prices

**Sec. Wallace applies a brake by reallocating quotas to increase early marketing.**

SEC. WALLACE'S second move to guard against a rise in the price of sugar has been taken. It consists in reallocating 216,352 tons of the domestic beet quotas on the prospect that the beet sugar areas will fall short of producing and delivering their 1,633,361-ton quota before the end of the year.

This reallocation could be foreseen (*BW*—Sep 11 '37, p. 44), and it dovetails perfectly with the secretary of agriculture's action the first of this month when he boosted total quotas by 360,000 tons. That had two influences: (1) any boost in quotas puts a brake on prices (both raw and refined), and (2) the added 360,000 tons all had to go to market in the last four months of the year—on top of the regular quotas.

The way the reallocation works may not be quite so obvious. Sugar output taken away from the beet states and given to Louisiana, Florida, Cuba, Puerto Rico, and Hawaii does not, of course, change the total quota of 7,042,733 tons. But the beet states couldn't come within some 216,000 tons of filling their quota, so giving that tonnage to someone who can deliver is very much like an increase.

### Weight on Prices


Moreover, the reallocation is a windfall for those who get it. They will rush to market it before the end of the year, and that will weigh on prices. Thus, really, both the 360,000-ton quota boost and the 216,000-ton reallocation apply only to the last four months of the year.

Incidentally, the domestic cane refiners—unpopular as they are with the President and his aides—derive direct benefits from the reallocation. Beet sugar is refined almost entirely in the West. If the beet states had fulfilled their quotas, the 216,352 tons would have gone to their own refineries. But,

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Tar and Chemical Division  
Western Gas Division  
The White Tar Company of New Jersey, Inc.  
The Wood Preserving Corporation

**2,000,000 CUBIC FOOT GAS HOLDER ERECTED BY KOPPERS COMPANY, BARTLETT HAYWARD DIVISION FOR THE HUDSON VALLEY FUEL CORPORATION**—This photo shows the center column type waterless gas holder erected at Troy N. Y. This gas holder incorporates proved and established features of safe, economic operation. Koppers Company, Bartlett Hayward Division, Baltimore, Maryland, is the leading builder of both water seal and waterless gas holders, and has built a large percentage of the total capacity in the country.

KOPPERS COMPANY  
BARTLETT HAYWARD DIVISION  
Baltimore, Maryland

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**ARE** you your own boss — in business for yourself . . . if so, you are not eligible for Social Security old age benefits. It is assumed that you, as a proprietor, will "look out" for yourself. Are you doing it?

The John Hancock Selective Security Policy provides you with a monthly income for life . . . after age 65.

This modern Selective Security Plan is so flexible that it is adaptable to every family need.

While the children are small it provides financial protection; if your wife has to continue without you after the children become self-supporting, she can receive a life income from this policy; and after you reach sixty-five, both you and your wife will enjoy a monthly income which will continue the rest of your lives.

Professional men — all proprietors operating their own businesses for their

own account — these and many others should send for our authoritative booklet. It explains briefly and in non-technical language, the retirement and Social Security problem and how it affects you. It is absolutely free and there is no obligation.



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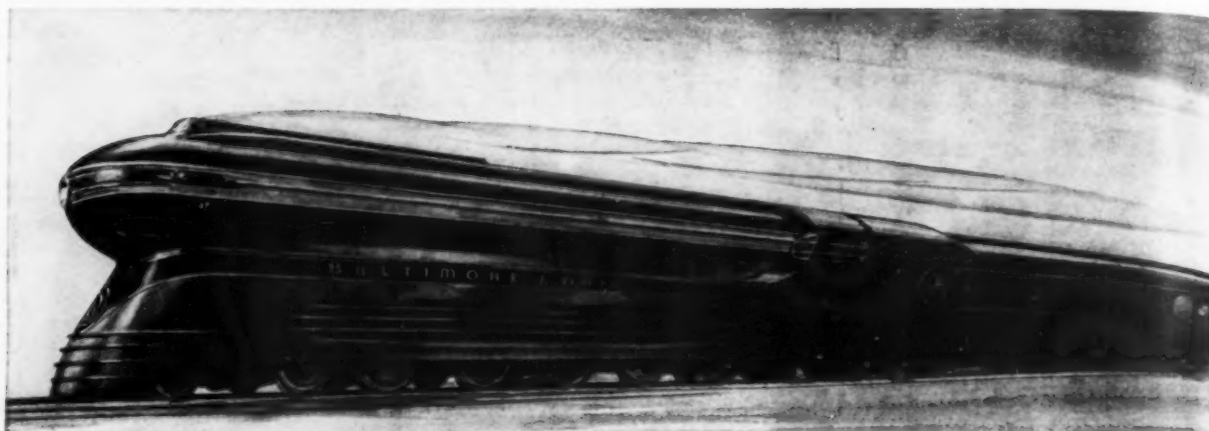
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**B. & O. DESIGNS NEW LOCOMOTIVE**—This 16-cylinder constant torqued locomotive, just designed by the Baltimore & Ohio, is a radical departure from the conventional 4-cylinder type, but embodies principles proved sound by B. & O. engineers. Rated at 5,000 horsepower, it is believed capable of handling 14 Pullman cars at a sustained speed of 100 miles an hour on straight track. Its 32 power impulses for each revolution of the steam motors give it the smooth-running qualities of a multi-cylinder automobile. Absence of all reciprocating parts eliminates vibration and track poundage.

under present circumstances, the raws have been largely reallocated to areas which will send them to cane refineries in this country.

The following table lists the quotas (in short tons) proclaimed last December, the upward revision the first of this month, and the figures as they now stand after reallocation:

	After Reallocation†	Increased Quotas‡	Original Quotas*
U. S. Beet.....	1,417,009	1,633,361	1,613,576
U. S. Cane.....	465,092	442,793	270,664
Hawaii.....	1,038,333	988,551	976,685
Puerto Rico.....	883,303	840,954	831,508
Virgin Islands..	9,869	9,396	5,462
Philippines....	1,085,304	1,085,304	1,035,742
Cuba.....	2,115,987	2,014,538	1,922,423
Other Foreign...	27,610	27,610	26,610
Total.....	7,042,733	7,042,733	6,682,670

†Under Sugar Act of 1937. ‡Under Jones-Costigan Act of 1934.

## Scrap Exports Probe

**Congress will probably vote an inquiry, and Administration fears results.**

WASHINGTON (*Business Week Bureau*)—If exports of scrap iron and steel were restricted by the government, cotton and other big export trade items logically would be the next in line, at least from the standpoint that cotton is just as much an implement of war as an old barrel hoop. From the standpoint of drain on domestic supply, cotton, of course, doesn't figure.

Any hint of the possibility of an embargo on cotton has damaging political repercussions. There was wild excitement last week but speedy denial followed press reports that the Commerce Department is considering whether cotton should be classified as an implement of war and shipment banned on government-owned vessels to the Orient. The reports were based on

an ambiguous statement by Sec. Roper, who is also a member of the Munitions Control Board.

The War, Navy, Commerce, and Interior Departments are on record as favoring an investigation of the effect of large scrap metal exports. Sec. Hull has informed the Senate Military Affairs Committee that he would not object but thinks a previous report made by his interdepartmental commercial policy committee would suffice. This has been offered to the committee in confidence. When President Roosevelt was asked whether he favors an investigation, he pointed out that scrap export figures are available. He also said that he didn't see why the interdepartmental report shouldn't be made public, but this the State Department has no intention of doing.

The interdepartmental committee turned thumbs down last session on the Schwellenbach bill to license scrap exports. It's not likely that this can be revived over the Administration's opposition, although Chairman McReynolds of the House Foreign Affairs Committee will push an export restriction bill, modeled on the law sponsored by him subjecting exports of tin plate scrap to licensing.

### Expected to Pass Congress

An investigation of the effect of scrap exports on domestic supply, as proposed in the pending Bridges-Berry resolution, probably will carry. Sen. Nye also intends to press for an investigation of scrap export profits.

In the meantime, the Tariff Commission has reported to the Senate Committee on Military Affairs that no immediate national difficulties are being created by scrap exports. Domestic consumption last year is estimated at 36,469,000 tons; exports at 1,900,000 tons. The sharp decline in prices (about 23% from early April) is indicative of a plentiful supply. The commission noted

that much scrap probably has been reclaimed that otherwise might have been a total economic loss, but suggested that restriction of exports probably would have a favorable effect on exports of rolling mill products.

## Railroad Loses Plea

**ICC refuses to delay hearings on Milwaukee's reorganization till earnings revive.**

THE Interstate Commerce Commission is flatly and unalterably opposed to delay in railroad reorganizations—particularly to deliberate delay. This attitude was reaffirmed when the commission refused to postpone hearings, which started this week, on the Chicago, Milwaukee, St. Paul & Pacific reorganization.

The road had asked delay due to the uncertainty of business conditions. It is the Milwaukee Road's second trip through the wringer in less than a decade; in common with the managements of many of the ailing carriers, Pres. Henry A. Scandrett would like to wait until earnings come back far enough to make the squeezing of bondholders and stockholders less painful.

The commission's decision on this plea has been watched with interest in railroad and financial circles (*BW*—Sep 18'37, p.39). The commission's Bureau of Finance appears to favor paring the capitalization of receivership roads to the point where they could have met fixed charges even in the blackest days of 1932. Insistence that the Milwaukee Road go ahead and reorganize—instead of waiting for better earnings—is viewed as another indication that the commission believes in cutting deep.

The Commission intends, unless the road acts quickly, to write its own reorganization plan. Such a step is not without precedent, as the ICC wrote a plan for the Western Pacific recently.

## P.O. to Quiz Jobless

**Biggers, director of unemployment census, intends to mail blanks to households.**

WASHINGTON (*Business Week Bureau*)—The unemployment census will be taken before Dec. 1 by the Post Office Department, which will deliver blanks from door to door, much as it did in starting the Social Security machinery working. This plan was revealed by John D. Biggers, president of the Libbey-Owens-Ford Glass Co., whom President Roosevelt has borrowed to direct the census.

After the total figures are in, Mr. Biggers will make a careful recheck in sample localities to determine the percentage and nature of error in the voluntary registration. He also expects to establish machinery for keeping the census figures up to date in the coming years.

John D. Biggers is one of those chamber of commerce secretaries who made good in business. He left such civic work early in life, but despite his short experience there, he has a little of the "chamber of commerce manner."

He has the even temper and the uniform cordiality which make him easy to meet and pleasant to talk with. He is depended upon by Toledo newspaper men to tell the truth, but he does not shove himself out for publicity. No multimillionaire, probably not even a millionaire, he has given liberally of money and influence to civic enterprises. He is one of Toledo's two or three most prominent men in local affairs, but he wields his influence in a quiet way.

### Officially a Republican

Nominally, he is a Republican but he does not work at it. He belongs to Uncle Dan Roper's business advisory council and inclines to the liberal side of the conservative business position. In the tumults of Toledo's labor adjustment (which preceded the national adjustment by a couple of years) he was one of the group there which determined to work the situation through to an understanding. His company has had its troubles with organized labor, but not since the militant Glenn W. McCabe, who led the strike against Libbey-Owens-Ford, was supplanted in the Flat Glass Workers' Union by a moderate who can get along with the employers. From the beginning he was one of the supporters of the idea behind the Toledo Peace Board which Ed McGrady helped to set up, and of which David Goodwillie, executive vice-president of "L.O.F.," is a member. (The company recognized the glass workers' union immediately upon the enactment of the NIRA.)

Mr. Biggers is one of the hardest working of corporation executives. He

follows the technology of the industry as well as its policies and its economic position. He is occasionally to be found in those informal discussion groups which have organized themselves around the country to go into economic questions in recent years.

Edward D. Libbey, who was the founder of Owens Bottle Co. (now Owens-Illinois) took an early interest in the young secretary of the Toledo Chamber of Commerce and made John D. Biggers his own secretary and all-around confidential man. In those days there were several glass companies in Toledo, independent but all more or less connected through individual stock ownership. Edward Libbey was also president of the Toledo Glass Co., which later became Libbey-Owens, then Libbey-Owens-Ford. It was this company which John D. Biggers became president of when he returned to the glass industry in 1929 after five years of association with the Dodge and Graham automobile interests—his first and only breakaway from glass manufacturing since he joined Mr. Libbey in the old Owens Bottle Co. in 1914.

## Knock Out Local NRA

**California court rules that cleaners' code in San Francisco is unconstitutional.**

SAN FRANCISCO'S city ordinance, setting up a code for the cleaning and dyeing industry, enacted last March and widely copied by other California communities, has been nullified by a decision of the District Court of Appeals. The code has attracted considerable national attention and has governed cleaners' and dyers' prices and practices in San Francisco for the last six months.

The decision came in the case of Carl Landowitz, operator of several establishments, who challenged validity of the code by undercutting prices it set up. He was adjudged in contempt of court after ignoring an injunction ordering him to abide by code prices. Ordered to jail, he appealed and was released on a writ of habeas corpus.

In the ruling that discharged Landowitz from technical custody, the Appellate Court held that the code is unconstitutional. "Such an ordinance," said the court, "is for the private advantage of a small group and does not make a price-fixing ordinance, for that group alone, legislation for the general welfare."

The decision has the effect of invalidating an act passed by the last legislature enabling cities to pass ordinances regulating practices of business groups. It also nullifies similar ordinances in Sacramento, Bakersfield, Santa Monica, and San Diego.



## The Mountain Goes to Manhattan via Erie

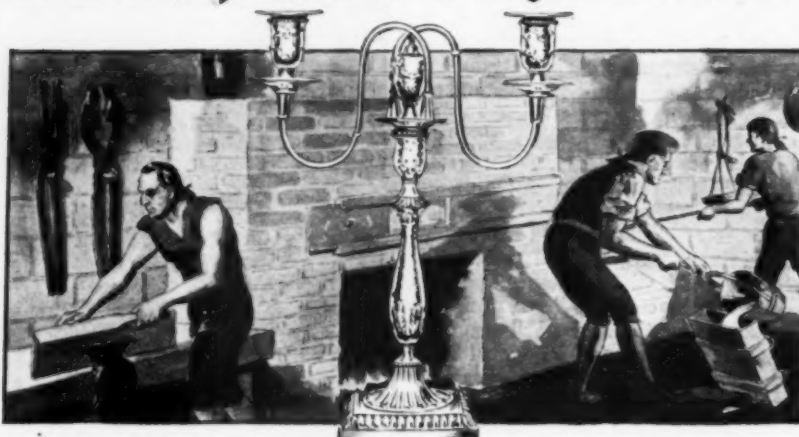
• Erie keeps the pulse of America's industrial heart beating with coal—millions of tons of it. Each year the Erie hauls a veritable mountain of coal not only to Manhattan but to hundreds of other important industrial centers that dot the route of the Erie.

Erie is not just a coal road. Shippers of all classes depend on Erie's on-time schedules, fast freight handling methods and special equipment to save time and money.

Is your freight a weighty problem? Are you interested in speed to distant markets? Or care for perishables? Your Erie representative can satisfactorily solve any of these shipping problems.



## Products of Specialists Have Always Been Preferred



## New Markets Were Created By Sheffield Plate

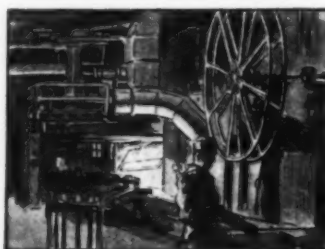
● Craftsmen who specialized in the design and manufacture of articles for domestic service immediately utilized the new material. It afforded manufacturing economies and faster, more profitable production of their wares.

Sheffield plate, in addition to presenting manufacturing advantages, met three important requirements at the time of its discovery, about 1742. Its appearance was attractive. It lowered the costs of the products into which it was worked to a point within reach of new markets. And it provided a means of surmounting competition in the profitable markets which already existed.

Modern designers and manufacturers of many types of products find that ACME COLORSTRIP (cold rolled strip steel in *all* colors) and ACME SATINSTRIP (designs rolled into the surface of cold rolled or stainless strip steel) are enabling them to create new markets and make the markets which they are now serving more profitable.

Acme specializes in the production of "rolled-for-the-product" Superstrip. Let an Acme engineer give you complete information about COLORSTRIP and SATINSTRIP or suggest the Superstrip, best suited for your purpose. Acme Superstrip provides faster, better production with fewer interruptions.

Write for complete information. There is no obligation and remember—ACME SUPERSTRIP COSTS NO MORE THAN ORDINARY STRIP STEELS.



Rolling Acme Hot Rolled Superstrip

# Acme Superstrip

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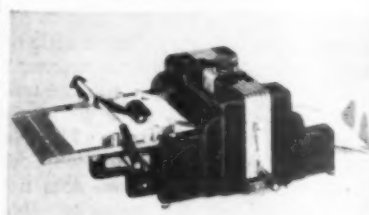
GENERAL OFFICES: 2828 ARCHER AVENUE, CHICAGO, ILLINOIS  
Branches and Sales Offices in Principal Cities

## New Products—

New processes and new designs; new applications of old materials and ideas.

FALL breezes are harbingers of winter's stronger, colder blasts to come. Now's the time to think of weatherstripping. A. C. Horn Co., Horn Bldg., Long Island City, N. Y., is bringing out a new rubber product known as "Hornex," whose function is to be cast in "ropes" and applied around the perimeters of metal casement and pivoted factory windows as weatherstripping. Semi-plastic nature of the material permits it to conform to all irregularities, after which it cold-vulcanizes in position.

SHORTLY after the "Neison Duplicator" came on the market about a year ago, business and plant offices adopted the new hectograph quickly for its exact and automatic registration on ruled



Neison Duplicator

forms and for its "three-second master-copy change." Since then Neison Corp., 2 W. 45th St., New York, has been developing a new automatic self-feeder which will be available as special equipment beginning this week.

THERE are desk staplers on the market which will install a permanently crimped wire fastening through a sheaf of correspondence or insert an easily removable "pin" at will; there are others with quick loading features and rubber cushions to absorb shock and noise; still others can be adapted readily for odd jobs of tacking around the office. But Parrot Speed Fastener Corp., 37-18 Northern Blvd., Long Island City, N. Y., is marketing the new "Swingline Speed Fastener" which seems to combine all the foregoing qualities in one business-like streamlined device.

ANYONE who has tried to conduct employee training courses which include any appreciable amount of reading will tell you that one of the biggest blocks to progress for many employees is faulty reading habits. American Optical Co., Southbridge, Mass., is bringing out two devices aimed at analysis and cure. The "Ophthalm-O-Graph" is a double-barreled moving picture camera which photographs light reflected from the eyes as one reads. Resultant film reveals



reading habits such as reading speed, pauses in reading, retracing to understand what has been read. The "Metron-O-Scope" is used to train out the faulty habits by means of three shutters which disappear in sequence, exposing a third of a line of words at a time. The subject must read correctly because the instrument will not permit him to pause or retrace in his reading.

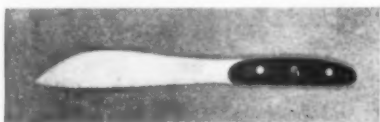
ONE cannot help wondering how much Ohio Brass Co., Mansfield, O., was thinking of plant trains and trailers when it designed its new "O-B Automatic Mine Car Couplers," for they would appear to be what the doctor



Business Week

ordered for both mine and plant. The cast steel coupler bodies are equipped with heavy draft springs which should reduce coupling shocks and consequent maintenance costs. Safety will be enhanced by the fact that workmen do not have to reach between cars to couple and uncouple them. Couplers can be set in an unlocked position so that cars can be kicked and jockeyed around.

WHEN John Vassos, industrial designer, got through his best licks on a new utility knife for Remington Arms Co., Bridgeport, Conn., its smooth streamlined contours dictated its name—



Business Week

"Moby Dick, Jr., a whale of a knife." Balanced finlike blade combines with serrated cutting edge to give faster, straighter slicing in plant, cafeteria, store, restaurant, and home buffet.

SINCE 1779, work has been progressing on the problem of how best to put chlorine to work as a germicidal, fungicidal, and deodorizing agent. One method, which is showing efficiency in food plants, retail stores, delivery trucks, swimming pools, and toilet rooms of the West Coast, is that developed by Cascade Sprayer Co., 2709 First Ave., S., Seattle. A patented sprayer attached to a water hose mixes, dilutes, and sprays all in one operation, thus eliminating premixing. A dilution screw controls the metering out of just the right proportion of a stabilized sodium hypochlorite compound, known as "Cas-klor." For the floors of showers and dressing rooms, use "dilution 10"; for toilets and urinals, use "dilution 40."



## Now MILLIONS of People Are Wealthy

THERE were only seven automobiles in John Brown's home town 30 years ago, when John was born. A few rich men owned them, and the cars—such as they were—cost well over \$2000.

Today, for much less than \$1000, John has a car that is far better than anyone owned even a decade ago. In fact, for what a leading car cost in 1907, John can now have, besides a better car, other things—automatic house heating, a radio, golf clubs. Mrs. Brown can have an electric refrigerator, a fur coat, and a lot of new dresses.

Today in America three out of four families have cars better than the best a few years ago. Their homes are more cheerful with improved electric light, which also costs less. Their house furnishings are more attractive and comfortable, yet less expensive.

They have many servants at little cost, for electricity does the tedious tasks about the house.

This *real* wealth has come to millions of people because industry has learned to build products that are worth more but cost less. Engineers and scientists have found ways to give the public more for its money—more goods for more people at less cost.

In this progress G-E research and engineering have ever been in the forefront. And still, in the Research Laboratory, in Schenectady, General Electric scientists continue the search for new knowledge—from which come savings, new industries, increased employment, benefits which bring to millions of John Browns real wealth unknown a generation ago.

*G-E research has saved the public from ten to one hundred dollars for every dollar it has earned for General Electric*

# GENERAL ELECTRIC

LISTEN TO THE HOUR OF CHARM. MONDAY EVENINGS. N B C RED NETWORK

## Los Angeles Union Drive Weaker

**Early rapid successes have been slowed down by business opposition. Lewis is reported planning to visit city and stimulate C.I.O. efforts.**

ORGANIZED labor's rush to capture Los Angeles, traditional citadel of the open shop, has weakened considerably during the last six months. Right now it appears to be marking time while the unions get their second wind.

When the campaign was announced last March, *Business Week* reported the percentage of penetration the unions could claim in each of the large business groups, analyzed the strength and weakness of organized labor's position in the nation's fourth largest city, and indicated what gains labor would be obliged to make to approach its object of unionizing Los Angeles (*BW—Apr 10 '37, p. 39*).

### Leaders Less Confident

The rapid strides taken by the unions for a month or so after the drive began appear to have been slowed down. The obstacles of a large floating population and high percentage of small business enterprises, together with organized efforts by local industries to put their labor house in order and eliminate sore spots before they bred trouble, have forced union leaders to revise their predictions that Los Angeles would be "easy to capture."

But there are persistent reports of a revival of the early enthusiasms of the campaign, with the possibility that John L. Lewis himself may go to Los Angeles to reinvigorate the forces of the Committee for Industrial Organization.

In the bitter competition among Pacific Coast cities for new industries, particularly branch plants of Eastern concerns, Los Angeles has always considered the open shop a potent weapon. When labor began its drive last spring, Los Angeles leaders were uneasy.

### Schism Slows Unionism

Union forces, during the six-month period, have been handicapped by the bitter struggle between the American Federation of Labor and the C.I.O. Lewis' cohorts appear to be on the losing end of the battle at present. They have retained their dominance of longshoremen (delivered to them by Harry Bridges) and the workers in the needle trades. They've made gains in the oil fields and refineries. This has been more than balanced, however, by losses in the aircraft field, failure to pierce other industries, and a mediocre showing against the A.F.L. teamsters in the drug and paper warehouses.

The A.F.L. teamsters have made great advances in membership during the last few months. Harry Dail, lieu-

tenant of Dave Beck in Los Angeles, and about 100 organizers who have been at his disposal since July, have been so active that employers estimate about 95% of the city's truck drivers have been signed up, at least 75% of whom may conservatively be considered paid-up members of the A.F.L. union. The teamsters, however, share the weakness of most Los Angeles unions in having very few written agreements with employers.

Outside of the trucking industry, the A.F.L. has made little gain recently, although it has held its own against the C.I.O.

A considerable number of workers are organizing independent unions on a shop basis. For the most part these are small and somewhat weak in leadership. This is not the case with the aircraft workers at the Douglas plant or the employees of the rubber manufacturers, two groups that have taken the lead in forming a League of Independent Unions. This movement, which is regarded locally as of considerable significance, and as apt to spread elsewhere, was undertaken, say its sponsors, to prevent A.F.L. or C.I.O. encroachments. Because of their struc-

tural resemblance to company unions they will be obliged, probably, to run the gauntlet of charges before the National Labor Relations Board.

The crusade to retain the open shop has entered politics. A Los Angeles Open Shop Party has been formed to: "(1) discourage chiseling employers; (2) protect free labor; (3) prevent violence and intimidation by unlawful union agencies, and (4) prevent illegitimate strikes from damaging the community."

### Association Keeps Order

The Merchants & Manufacturers Association is a powerful factor in opposing unions. Last March, when the unionization campaign got under way, the M.&M. organized employers into groups with a labor relations committee for each. Wage and hours surveys were made for each group and a careful analysis was carried on in each member company to discover causes of friction between employees and management. If the concerns adopted the recommended wage and hours schedule, all the resources of the organization were at their disposal in labor emergencies. If they didn't, it was made clear that they'd have to paddle their own canoe and keep it from upsetting. About 65% of the city's industries are operating under the M.&M. setup, according to officials of the organization.

Los Angeles business leaders are not overconfident over the labor situation, but they believe they've got it in hand.



**BE LOYAL, OR ELSE**—The schism in West Coast labor grew wider last week when delegates to the state Federation of Labor convention at Long Beach, Calif., summarily purged their ranks of C.I.O. supporters. On orders from William Green, the convention was made too hot for officials of the San Francisco Labor Council, and they bolted. Now Coast labor goes on choosing sides as the ship-and-dock quarrel brings labor's internal row to a crisis. Evenly matched, the antagonists have shippers "in the middle," and progressive paralysis has brought Western maritime transport almost to a standstill. Above, a general view of delegates at the Long Beach convention.

ARTHUR

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**Carrier**  
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Plans and installation under direction of Charles S. Leopold, Consulting Engineer, representing Gimbel Brothers.



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**A** GREAT department store moves to the cool mountain tops in summer, to the sunny Southlands in winter! Gimbel's, Philadelphia, accomplishes this feat with Carrier Air Conditioning!

Step into the Subway Store, or any department on the first, second, third or seventh floors, and you'll forget that summer heat and humidity ever existed—for the air is cool and clean, free from the excess moisture that made you feel so "sticky." Visit Gimbel's in cool weather, and you'll discover a new comfort—made possible by modern heating combined with healthful humidification, ventilation, and gentle circulation.

"I would like to show you the many complimentary letters which we have from our customers; this has also been reflected in the morale of our staff" writes Arthur C. Kaufmann, Executive Head of Gimbel Brothers. And good reason! . . . for the Carrier System embodies knowledge gained through more than 35 years devoted exclusively to air conditioning, plus experience gained in making installations in 99 countries of the world. Installations in the department store field alone include such other leaders as Gimbel's, New York; Filene's, Boston; J. L. Hudson's, Detroit; Joseph Horne Co., Pittsburgh.

Your local Carrier representative will tell you how easy it is to enjoy Carrier Comfort in your home, your office, your place of business, your factory . . . *anywhere!*

**FINISHED!** Attractive Carrier Grilles diffuse the conditioned air—quietly and without drafts.



**AT LEFT:** Carrier Centrifugal Refrigeration provides cooling equal to melting 1200 tons of ice each day.

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## A Drink of Wine Saved a City\*



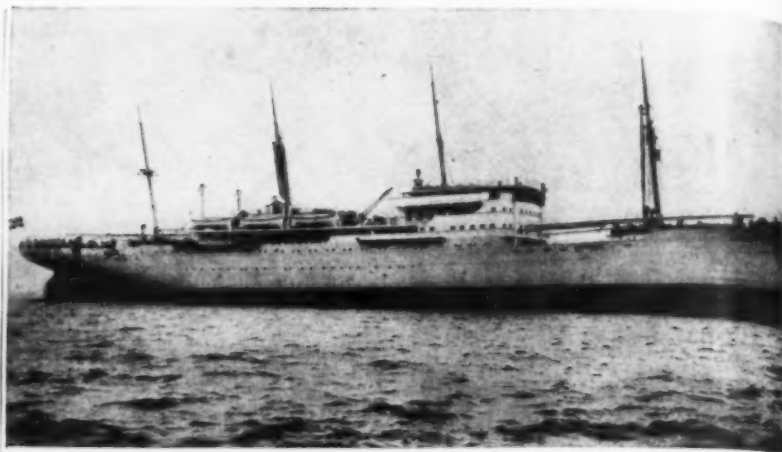
\*In 1631, during The Thirty Years War, Rothenburg, Germany, was taken after a long siege by the famous Tilly. Enraged, he threatened to hang all town councilors unless one could drink the 3-quart state beaker full of wine at one draught. George Nusch lifted the full beaker... drank and drank... fell senseless. But the last drop... fell senseless. But he saved his fellow councilors and won a place in history.

### A LITTLE THING but it made a big difference

Small in size... compared to the machine of which it is a part... the clutch is big in importance. • Fast, flexible operation, upon which present-day production economies depend, must be built in with the controls. Progressive manufacturers of machinery, for every industry, build it in with Twin Disc Clutches and Power Take-Off Units. • The new Twin Disc Reverse and Reduction Gear Units are built with 100 per cent reverse and with 2 to 1 or 3 to 1 reductions. • Write for literature. Twin Disc Clutch Company, Racine, Wisconsin.



Twin Disc Marine Reverse and Reduction Gear... unusually simple in design—two clutches... five gears... with large size, extra capacity anti-friction bearings throughout.



NO FUNNELS ON LATEST PACIFIC COAST-TO-EUROPE LINER—Streamlined, even to the exclusion of funnels, is the motorship *Errin*, which in October will be placed in service between Pacific Coast ports and Europe by the Danish East Asiatic Co. Originally launched in 1932, the 440-foot vessel has been undergoing extensive alterations at a Copenhagen shipyard.

## Endless Silver Buying

**Treasury can't escape continuing purchases as long as gold keeps entering the country.**

THE trouble with the American silver policy is gold.

The law says that the object of the Treasury is to have and maintain one-fourth of the monetary stock of the country in silver. At the beginning of the program, back in 1934, the Treasury needed 1,300,000,000 oz. to fill the congressional order. It still needs 1,300,000,000 oz., although, in the interim, purchases have mounted to well over a billion ounces.

### Sisyphian Struggle

The vast inpouring of foreign gold into this country makes the Treasury's task incessant. Every time gold comes in, the amount of silver the Treasury must buy to achieve the one-to-four ratio mounts. Hence it is a fairly safe bet that with the gold flow as it is, the Treasury will not stop buying silver.

The price the Treasury is now paying for domestically mined silver—\$0.7757 an ounce—is good for all silver mined until Dec. 31. Which means that "home-grown" silver will be accepted at 77½¢ after Dec. 31, if extracted from the earth before that date. And it is likely that the President will proclaim that buying price. It hardly seems probable that he will invite silver senators—from Idaho, Montana, Utah, Nevada, Arizona, and other states—to become wrathful over something like \$20,000,000 a year. That represents the difference between what it costs Uncle Sam to buy the 66,000,000 oz. produced at home at 77¢ and what he could buy the silver for in the open market, around 45¢.

Expiration of the international silver agreement will not play a large part in

Treasury policy, although strong efforts will be made in monetary negotiations with Great Britain to restrict the annual sales of India to 35,000,000 oz. As for China, the United States already has a special agreement to swap gold for silver to help the Chinese currency. Of Spain's sales of silver nothing is known, because of the internal conflict. Australia, Canada, Mexico, and Peru, also parties to the agreement, were supposed to buy part of the production of their own mines, but subsequently this government made heavy purchases in their stead.

The agreement of 1933, by one lapse after another, virtually disintegrated until only the United States was abiding by its terms. It was merely of nominal help to the Treasury in buoying the price of silver, and the fact that it expires Dec. 31 should not change the American policy. But the only way that the one-to-four monetary ratio will come within reach is through gold selling, and not silver buying. If gold flows out of the country, the proportion of silver to total monetary stocks will automatically rise in consequence.

## Wrap Each Tomato

MASSACHUSETTS tomatoes are coming to market like other fruit and vegetable aristocrats, individually wrapped and packed in corrugated boxes. They have the brand name "Vine-Ripened Massachusetts Tomatoes" plus the name of the individual grower. Brand and grower's names both appear on the inside of the carton lid when it is thrown back for display. New York State tomato growers are being advised by Dr. Hans Platenius of Cornell University's department of vegetable crops to wax their tomatoes as one way of avoiding the low prices which always prevail when growers pick every ripe tomato in sight.



**"MIGHTY GOOD SERVICE  
WE'RE  
GETTING THESE DAYS"**

**BELL SYSTEM SERVICE IS BASED  
ON *Western Electric* QUALITY**

The name "Western Electric" on telephone equipment means high quality at low cost. Your Bell telephone company, and every other Bell company, shares the benefits of its centralized manufacturing.

This has brought constant improvement in the speed, clarity and efficiency of the telephone—saved millions of dollars for Bell telephone users—and helped to give this country the best telephone service in the world.

**ORGANIZED FOR SERVICE  
TO THE PUBLIC**

The Western Electric Company is an integral part of the Bell System. Its purpose is to provide a dependable supply of telephone equipment of high quality at low cost. The Western Electric plan of centralized manufacturing and distributing has half a century of improved benefits behind it. The increasing use of the telephone and the need for continued progress make it more important to the public than ever before.

**BELL TELEPHONE SYSTEM**



to beat out the first frost of fall. His advice is to pick 'em at the "green mature" or turning stage, coat 'em with wax, and store 'em a week at a tempera-

ture of 70 deg. F. If not sold quickly and profitably then, they can be stored in temperatures from 35 to 45 deg. for upward of six weeks.

## Urges City Industrial Planning

**National Resources subcommittee also suggests national zoning for industry. Declares city-dwellers receive less federal help than farmers.**

WHEN the Constitution went into effect, the cities of the new United States contained less than a quarter of a million people. Since then their population has grown to nearly 70 millions, a majority of the country, and their problems, like their inhabitants, have multiplied.

The Urbanism Committee of the National Resources Committee, which undertook the initial comprehensive exploration of "one of the most complex products of modern times—the urban community," has just reported on its work. And its conclusions can be concentrated in the formula: intensify efforts to raise family living standards and assure economic security; set up agencies to study urban problems; and *plan*.

### Would Link Up Plans

The idea of the necessity for planning constitutes an important, if not the most important, part of the report's approach to its job, as well as its conclusions.

At the close of its foreword the National Resources Committee emphasizes that "city planning, county planning, rural planning, state planning, regional planning, must be linked together in the higher strategy of American national

planning and policy, to the end that our national and local resources may best be conserved and developed for our human use."

Declaring that the approach to a more satisfactory urban development will require "far more fundamental and much more effective planning on all levels of government," the Urbanism Committee recommends the creation of a National Resources Board, just as the Technology Committee (BW—Jul 24 '37, p 15) and the President's Committee on Administrative Management have done.

Such a board, in the Urbanism Committee's view, should be empowered to help regional, state, and local planning agencies; improve the long-range programming of public works; develop a better-balanced national industrial pattern, possibly a national zoning plan for industry; prepare a broad plan for a coordinated national transportation system aiming at a more desirable urban pattern; and inquire into the probable effects which wider distribution of electricity will have on urbanization.

While the National Resources Committee itself, to which the Urbanism Committee reports, does not specifically

ask the establishment of such a board, it recommends that any national planning board ought to have the functions which have been enumerated.

The American city, the National Resources Committee asserts, has become "not only one of the fundamental supports but also one of the primary problems of the nation's economy." On the whole, however, the city's faults are those not of decadence but of "exuberant vitality." The farmer has got help from the Department of Agriculture, but the two committees question whether the city-dweller has received all the solicitude his difficulties merit.

### Chief City Problems

Dominant among the questions facing him are: the drastic inequalities of wealth and income; industries which don't mesh with a given community's other industries; quick obsolescence of plan and plant and the degeneration of cities into "deserted villages"; the effects of competing transportation methods; the ravages of uncontrolled real estate speculation; inadequate housing; menaces to public health; the issues raised by racial and religious diversities; the economic barring of the city's youth from higher education; juvenile delinquency; crime; rackets; financial problems; inadequacy of the city's governmental powers; overlapping of governmental units; evasions of civil service laws, and questionable administrative practices in general.

### Chief Recommendations

Among the National Resources Committee's recommendations are:

1. The government, industry, and labor should intensify their efforts to increase the population's income and security. Moreover, the United States should study and help chronically depressed urban areas. In this connection, the Urbanism Committee asserts that in communities whose economic base is vanishing and whose situation tends to be chronic, governmental agencies should undertake either the reorganization of the area or program of resettlement (as in the case of submarginal rural districts).

2. Legislation should set up a federal credit agency to make loans and grants to local governments for public works (including housing), acquisition or construction of public utilities, and land purchases. Such a body should be most active in periods of economic distress, and federal expenditures should be at a minimum during prosperity.

3. Congress should set up a permanent public works authority to plan and execute a nation-wide program of public works.

4. A national housing policy, working by teamwork among local, state, and federal governments and private industry, should be adopted. Control must



**SUSPENDED AQUEDUCT**—Working on a narrow suspension bridge, a hardy crew of workers has constructed a siphon across the narrow, precipitous Ogden River Canyon, to complete one of the most interesting engineering feats on the new Ogden River Federal Reclamation project in Utah. More than 100 feet in the air, a steel pipe nearly three feet in diameter has been strung on cables to carry the waters of the irrigation canal across the gorge. The city of Ogden is dimly visible at the left.

Underwood & Underwood



in general be lodged in the local authorities.

5. Congress should fix conditions for interstate compacts enabling communities in the same urban area but in different states to work together for health, sanitation, the control of public utilities, and planning.

## C.I.O. Convention

Lewis plan for permanent setup of his "labor irregulars" awaits action at A.F.L. meeting.

ORGANIZED labor's big question mark—"What will the American Federation of Labor do at its convention?"—became two big question marks this week as another was added: "What will the Committee for Industrial Organization do at its convention?"

The C.I.O. hasn't called a convention yet—but it is on the way. John L. Lewis took the first step this week in summoning the officials of the 32 C.I.O. unions to executive parley at Atlantic City, Oct. 11. And for months (*BW*—May 29 '37, p. 18) the subject of revision and consolidation of C.I.O. forms and policies has been under discussion between Lewis and his associates.

C.I.O. officials figure that by Oct. 11 they will know whether the A.F.L. is going to make a bid for peace, or not. The federation convention begins at Denver, Oct. 4, with the jurisdictional war as Labor Problem No. 1. If the suspension of C.I.O. is made permanent by expulsion, or even if it is held in status quo, the industrial unionists will be in a mood for action aimed at a permanent setup.

### Unions Hanging Loose

To date, the C.I.O. has been getting along with several of its unions "in receivership." For instance, the Steel Workers Organizing Committee has enrolled thousands of steel workers—but only as agency for the Amalgamated Iron, Steel & Tin Workers. The T. W.O.C. (textile group) took over the affairs of the United Textile Workers. Organizers for these groups have been drafted from various places, with a good many of them coming from the United Mine Workers.

Thus there is a temporary quality in many of the regional organizing groups. The big S.W.O.C., for instance, hasn't any permanent officers or a permanent name—two problems to be discussed at its convention late in November or early in December.

In a bigger way, the same problems confront C.I.O. headquarters, in the event A.F.L. shows no wish for compromise. A permanent name, national officers, and distribution of voting power in the component parts, are things still to be thrashed out.

In addition, the committee advocates a general inquiry into taxation, the extension of public service training, the compliance of federally-aided communities with minimum personnel standards, enactment of uniform criminal laws and interstate crime compacts, and the collection of reliable data on urban problems.

On Oct. 11, then, the industrial unionists will be ready to do one of two things at Atlantic City. If the A.F.L. has, in the meantime, made its share of the compromise by recognizing C.I.O. jurisdiction in the mass-production fields, the C.I.O. officials can decide whether they will go along and compromise by recognizing and allowing protection of the craft-union "aristocracy" groups. If the federation votes for war without quarter, it is expected that the C.I.O. won't wait longer before building a new house.

### C.I.O. Move Threatened In Building Trades

In the violent struggle between A.F.L. and C.I.O., one group of craft unions has been given a wide berth by the industrial organizers. They are the building trades unionists—carpenters, plumbers, electricians, plasterers, bricklayers, roofers, etc. They are used to fighting, several of the unions having at one time or another split away from the A.F.L. and later joined up again. C.I.O., not wanting any part of the field during its early days, this week began to talk about "one big union" in building trades, instead of the 16 now affiliated with A.F.L. Next year's agenda probably will include an organization drive along those lines, if the parent bodies don't make peace in the meantime.

### Peaceable Solution Probable In G.M. Parleys with Union

DETROIT (*Business Week Bureau*)—Negotiations between General Motors and the United Automobile Workers (C.I.O.), looking toward a working contract to replace the temporary agreement reached last winter, began in dead earnest this week. With both sides wishing settlement, now that the union has pledged itself to support company discipline of contract-breaking strikers, it is probable that negotiations will conclude shortly.

Biggest dispute will come over the union's request for a shop steward system to replace the present grievance committees in each plant. At present, five or ten committeemen must handle all grievances in any one plant, and



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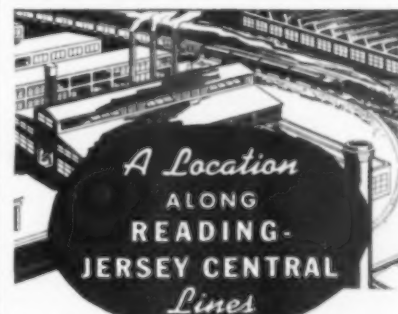


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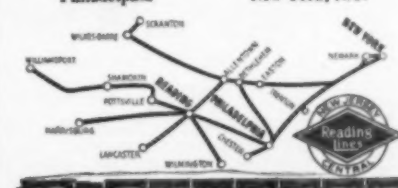
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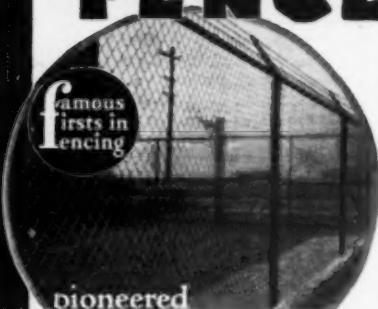
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**PRE-VIEWING SAN FRANCISCO EXPOSITION**—Thousands of people who want to get an idea of the way the 1939 Golden Gate Exposition on San Francisco Bay is going to look are daily visiting this structure in Union Square, the heart of downtown San Francisco. It houses an elaborate 35-foot model of Treasure Island, site of the \$50,000,000 "World's Fair of the Pacific." It's model publicity, the promoters say,

the union complains that broader channels are needed to facilitate settlements.

It is doubtful that the union will be officially recognized as sole bargaining agency for all employees, although it is unofficially just about that. Some modification is expected in the seniority agreements, such as shortening of the

qualifying period, and timing operations will probably be given a thorough going-over. Other than vacations with pay, which the company probably will use as a trading point, there are few other important matters to be taken up; the 40-hour week seems safe, despite a demand for a 35-hour limit.

## New Farm Plan Has More Teeth

It authorizes a base quota for all of a farmer's crops. If he shifts from cotton to potatoes, or from corn to wheat, he won't get any benefits.

EASIER to understand, but also much more stringent and easier to administer—that's the new federal farm plan. The whole thing hinges around "goals" for conservation and efficient land use, as explained by Sec. Henry A. Wallace and his right hand man, H. R. Tolley. But, to those who have followed the plan's evolution, "goals" must look suspiciously like newer and stricter quotas.

The new program is a revision worked out inside the framework of the Soil Conservation and Domestic Allotment Act. Actually, it amounts almost to a complete substitution, at least as far as fundamentals are concerned. It is what the Agricultural Adjustment Administration would have substituted for the crop controls and taxes killed by the Supreme Court 20-odd months ago if studies then going forward had been as far advanced as they are now.

Outstanding provisions—most of them foreseen in *Business Week's* special

report to executives on "The Farm Market," Sept. 4, 1937, pp. 37-46—include the following:

There no longer will be different scales for benefit payments for soil-conserving and soil-building practices, but a single scale for farmers who carry out all the practices of good husbandry.

There is to be a base acreage or "goal" for each soil-depleting crop (and soil-depleting crops now can be clearly recognized as those in which there are frequently price-disturbing surpluses).

Each farm gets a base acreage for soil-depleting, soil-conserving, and soil-building crops to fit the over-all "goals."

Tenant farmers and landlords are to split benefit payments between them on the same basis that they divide proceeds from crops—a feature which is aimed not only at encouraging better farming by tenants but at ensuring them a slice of federal payments as well.

The "goals" for next year apply to cotton, corn, tobacco, rice, and peanuts;



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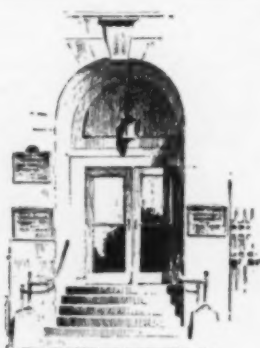
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potatoes can get aboard by a two-thirds vote of growers who produce for market rather than for on-the-farm consumption. Wheat isn't mentioned at this time because fall planting of winter wheat is already too far along. Wheat acreage contracts apparently will be patched up for 1938, and arranged under the "goal" system thereafter.

Total soil-depleting acreage in 1938 would not exceed 290,000,000 and might be limited to 275,000,000. That's from 15,000,000 to 30,000,000 acres below the 1928-37 average. Sec. Wallace has previously talked of removing 50,000,000 acres from soil-depleting crops (*BW—Sep 4 '37, p. 44*) which is about what is needed to adjust domestic production to domestic consumption plus modest exports, in the opinion of Triple A's planning section.

The idea of base acreages for individual farms in both soil-depleting and soil-building crops carries a stern alternative. It means that the planter who takes cotton land out of cotton isn't going to get benefits if the acreage is seeded to potatoes, that the corn-hog producer who cuts corn land and plants wheat is out in the cold. The essential idea is complete cooperation or nothing.

That raises the question whether farmers will refuse to cooperate. To meet that threat, Sec. Wallace will seek congressional action at the next session, when the ever-normal granary and allied proposals are considered by Congress. Wallace will then ask Congress to provide compulsory planting and marketing quotas for all farmers whenever the granary threatens to overflow.

### Radio Glass Tubes Lead

METAL tubes for radios, both in home and automobile sets, seem to be taking a thumping from their glass rivals in new models. At least that is what *Electronics* finds, in a survey of some 1,000 set models. Four to one for glass tubes is the current count, although public preference cannot be measured accurately this way, because the survey takes no account of sales volume. One thing contributed by metal tubes, which now is being taken up by glass-tube makers, is the octal base, which is being more and more widely used.

### Huge Sand, Gravel Output

ANYONE who is looking for high quantity production can find it in the sand and gravel business. Bureau of Mines' new Mineral Market Report, No. M.M.S.596, states that 1936 sand and gravel production reached 178,329,814 short tons, valued at \$90,307,752, as compared with 57,641,526 short tons of iron ore mined in the same year. Iron ore value was higher, being \$131,740,594. Total sand and gravel production increased 43.9% over 1935.

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## Mexican Supertariff

**3% surtax levied on imports. United States protests injury to American business.**

EFFECTIVE after Sept. 15, the Mexican government has decreed a new 3% surtax on all imports, payable in advance. The United States ordinarily supplies Mexico with nearly two-thirds of its imports. This might explain why Washington last week made a sharp protest to Mexico on the new law, but it is not the whole reason.

A few months ago Sumner Welles, undersecretary of state, declared that "the policy of the 'good neighbor' is not a one-way policy. If the United States government, in dealing with its American neighbors, treats them with scrupulous respect for their sovereignty, for their rights and for the rights of their nationals. . . it has the right to expect similar respect, equivalent consideration, for itself and for its nationals."

### The Spirit Behind the Matter

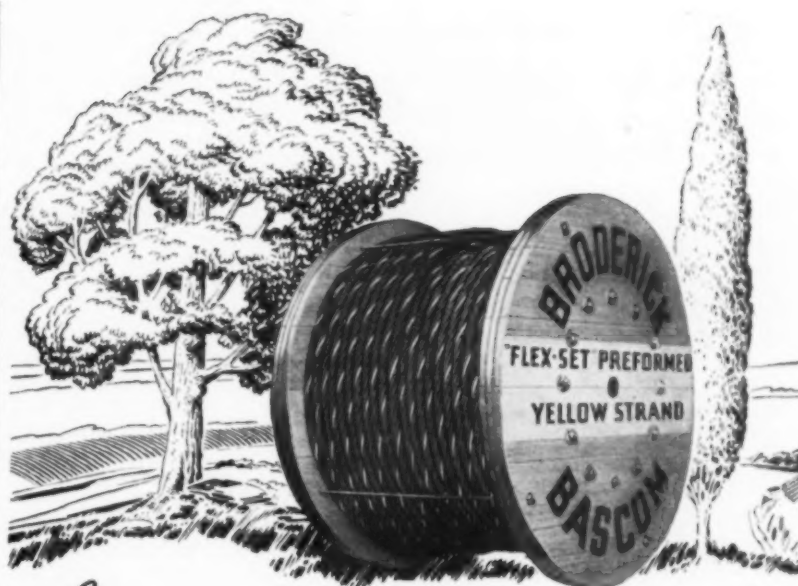
This is the spirit behind the newest protest to Mexico of developments affecting United States business. It follows a number of other moves by the Mexican government in its program of socialization, including the expropriation of land held by citizens of the United States, the threat to squeeze both mining and petroleum interests out of the country or at least to favor competing Mexican producers, and tariff increases and special taxes aimed to favor domestic industry.

In January of this year, Mexico increased its import duties on 664 items an average of 26%. In April, the income tax law was amended to force foreign sales representatives selling in Mexico to pay a new tax on 35% of their gross sales in Mexico. All profits on investments in Mexico pay a 4% export tax in addition to the various and increasing taxes on the properties themselves.

### Big U. S. Customer

Mexico is an important testing ground for Washington's good neighbor policy. It is also an important customer. For both these reasons, the Roosevelt-Hull Administration has chosen to overlook, until recently, the parts of Mexico's socialization program which have affected United States business interests adversely.

With our silver-buying program virtually a subsidy to the Mexican industry and to Mexican prosperity, and as Mexico's best market and the source of the bulk of very profitable tourist business, Washington has evidently decided that the time has come to take a firmer stand against some of the laws which are most seriously affecting American business.



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## Canada Watches Fateful Election

**Hepburn runs again for premiership of Ontario, on anti-C.I.O. record. If successful, he may seek federal power. Opponents charge fascism.**

OTTAWA (*Business Week Bureau*)—While two youngish farmers battle for the premiership of Ontario (Canada's richest, most populous, most industrialized province) in the provincial general election campaign which ends on Oct. 6, shrewd observers see behind them powerful forces shaping for a more important clash to determine the politico-economic course of the whole Dominion.

### Real Issue Is Labor

Most of the stump issues in the provincial campaigning—squeezing rich estates for undeclared succession duties, electric power policy, stricter control over timber lands, religious basis of school tax division, reform of the civil service administration, liquor control—are subordinate and relatively insignificant. The important issue is labor and the Committee for Industrial Organization. The significance is in the forces behind it, and in the trends that are developing. Some think they see coming a fight for and against a kind of fascism backed by capitalist interests fearing reform assaults.

Outwardly the Ontario election is confusing, with party labels deceptive,

and personal descriptions misleading. Mitchell Hepburn, 41, is a farmer and onion-grower; but he is also the city-tailored, easy living, holiday companion of millionaires in New York and Miami as well as Toronto.

Named Liberal provincial leader five years ago, he ended the party's 30 years of wilderness wandering three years ago by frankly playing to the "back-concessions"—the hinterland. He has the big election advantages of being premier, having controlled 72 of the legislature's 90 seats, produced a telling government record, including a balanced budget, debt retirement, and tax remissions.

Universally known as "Mitch," he stormed to national and international attention in three leading acts: repudiation of the Ontario Hydro Commission contracts with Quebec power companies (claiming to save the province a 40-year commitment of \$400,000,000); waging a spectacular fight against the C.I.O. invasion of Ontario (principally in connection with the Canadian General Motors strike in June); and digging millions in succession duties out of estates previously settled.

Hepburn's opponent, Earl Rowe, 43,

Conservative leader, is a regular farmer and successful livestock breeder. Born in Montana, where his parents went from Ontario in unsuccessful search of a fortune, which was later modestly achieved back home, Rowe continues colorless after 12 years in federal parliament and some success at racing trotting horses at Ontario meets. A "regular" Conservative, he seems to pull his punches when he challenges Hepburn's C.I.O. position. He "stands for" collective bargaining, with labor free to choose its own agency, and holds that Canadian law enforcement is sufficient protection against importation of John L. Lewis' methods.

### Saw Threat to Mines

Significance of the election is in what lies behind and before. In Hepburn's fight against C.I.O. in June, he charged that it threatened Ontario's great wealth-producing mining industry. When a little later Hepburn invited Rowe and the Conservatives to join him in a union government for Ontario, his plea was the saving of the mining industry from C.I.O. labor disruption. Rowe declined.

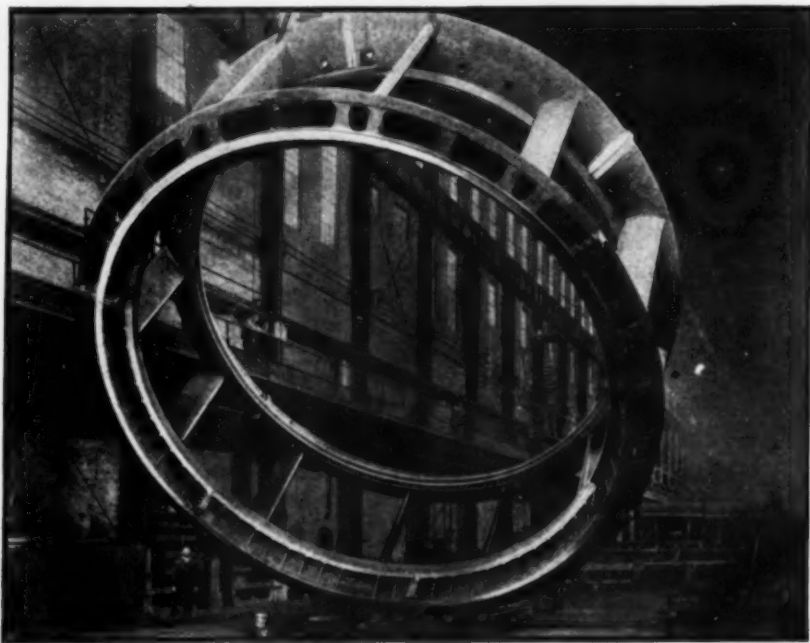
About the same time Hepburn broke away openly from Prime Minister Mackenzie King and the federal Liberal Party, because Ottawa failed to back him on the C.I.O. Rumors followed that he was seeking political alliance with Premier Maurice Duplessis of Quebec (who had enacted Communist padlock laws and declared against the closed shop) to save the two provinces from the C.I.O. and later to gain power in Ottawa and "save the whole country."

Hepburn's chief backer is George McCullagh, 32, mining broker who turned newspaper publisher when he bought and merged Toronto's two morning papers into the *Globe and Mail*. Both newspapers follow a policy of boosting Ontario mining and Mitch Hepburn.

McCullagh's acknowledged backer is his wealthier mining business associate, William Wright, English immigrant butcher who turned prospector and struck it rich in the Wright-Hargraves mine, and who is now many times a millionaire.

### On to Ottawa?

McCullagh has developed close associations with Montreal interests which have forgotten the repudiated power contracts in hailing Hepburn as a national hero for fighting C.I.O. What some observers predict is that these Toronto and Montreal interests will team up to push Hepburn (who has federal ambitions) and perhaps Duplessis with him on to Ottawa to oust the old parties and to hold the country against any challenge to capitalism and the old order in their present form. Sidelights are the recent demand of Montreal business interests for largely



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*Business Week*



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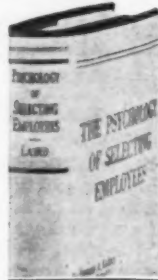
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(Books sent on approval in U. S. and Canada only)

The first part of the book takes up traditional employment methods—showing the good elements and pointing out the weaknesses. The later chapters present in detail a description of scientific methods of selection. Special chapters explain how to arrange tests, how to use them and how to check and judge the results.

In this revision one of the new chapters—*Things to Size Up During the Interview*—is particularly helpful and thought-provoking for its sound suggestions on "character reading."

increased immigration, and organized labor's resistance.

A move in the Ontario fight by former Canadian Premier R. B. Bennett, leader of the federal Conservative Party, is anticipated. He may step in to head off the Hepburn-and-backers plan, meet it as incipient fascism, and recommit the Conservative Party definitely to a reform of capitalism. This would strengthen prospects of political realignment over Canadian economic policy issues.

Hepburn has all the advantages in the Ontario fight, especially because he is definitely Rowe's superior as a campaigner. If he wins, he will begin organizing for his "march to Ottawa."

## Engineers' Pay

### Survey shows relative income and depression losses of various types of engineers.

ENGINEERS, would-be engineers, fond parents of prospective engineers, as well as personnel and vocational directors would do well to study the U. S. Bureau of Labor Statistics' recent comprehensive survey of this profession undertaken at the request of the American Engineering Council. The latest release based on a study of 52,509 professional engineers, pertains to income earned during 1929, 1932, and 1934. Here are highlights:

1. In 1929, 10% of the reporting engineers had incomes in excess of \$7,466; 25% earned more than \$5,012; but 50% earned less than \$3,412.

2. On a dollar basis, the big income cuts between 1929 and 1932 hit the two highest income groups hardest, but on a percentage basis it was the engineers at the lower end of the income scale who suffered the largest curtailment of earnings. Top salaried engineers lost about 32% in the period; lowest rung engineers, 54%. Further income shrinkage occurred in 1934.

3. The divergence in earnings between five types of engineers was most marked in the upper income ranges where the spread was as great as 35%, compared with 16% in the lowest income brackets.

4. In 1929 (disregarding age distribution) the upper 10% of mining and metallurgical engineers earned more than \$9,912; the upper 10% of chemical and ceramic engineers followed with \$9,103; mechanical and industrial engineers, \$8,508; electrical engineers, \$7,185 and civil engineers, \$6,507.

5. The civil engineers had the smallest income cuts between 1929 and 1932, ranging from 29% to 47% in different income levels; chemical and ceramic engineers fared worst with cuts of 36% to 64%.

6. All engineers showed earnings ad-

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ods—rapidly at first followed by two  
periods of slower rates of increase.  
Maximum earnings were reached at 60  
years of age.

7. Engineers with formal education  
appear to have the edge on those with-  
out such background so far as earnings  
are concerned, the spread becoming  
greater with advancing age.

## Elevated Highways

**American Institute of Steel  
Construction offers \$9,000  
prizes for designs.**

FOLLOWING the biggest bridge-building  
year in American history, the American  
Institute of Steel Construction this week  
revealed plans for a nationwide prize  
contest to stimulate elevated express  
highway construction. Prizes for "the  
most suitable structural and architect-  
tural design of an elevated highway"  
will total \$9,000, with \$5,000 desig-  
nated as the blue ribbon award, the in-  
stitute announced at a dinner meeting  
in New York.

In 1936 more bridge mileage than  
ever before was erected, so much, in  
fact, as to take 37% of the year's total  
fabricated structural steel. Elevated high-  
ways will give a vast new market.

Safety statisticians estimate that the  
1937 death traffic total will be 40,000.  
Clyde G. Conley, president of the insti-  
tute, said at the dinner that elevated  
highways will both trim accident tolls  
and hoist structural steel fabrication to  
new highs.

Pointing out that America is trailing  
several European nations in express  
highway development, despite the fact  
that 54% of American families own  
automobiles (28,000,000 cars at the lat-  
est estimate) Dr. Miller McClintock,  
director of Harvard's Bureau for Street  
Traffic Research, said: "America needs  
and could buy from five to ten million  
more automobiles than are in use today  
if the country had an efficient street sys-  
tem for using them."

## Tax Up; Production Drops

To the long list of guinea pigs, white  
rats, and varied small animals used in  
surgical and pathological clinics must be  
added two sovereign states currently  
eyed by big business as economic clinical  
specimens. Back in July, 1936, Louisi-  
ana hiked its state severance tax on sul-  
phur from 60¢ to \$2 a ton. Since then  
its sulphur production has skidded 23%,  
while Texas, with a tax of \$1.03 per  
ton, has enjoyed a 37% increase in sul-  
phur output during the same period.  
Louisiana's intelligently operated public-  
ity bureau is currently issuing feelers  
which intimate that the two-buck tax  
is due for downward legislative revision.

## Here's News for YOU...

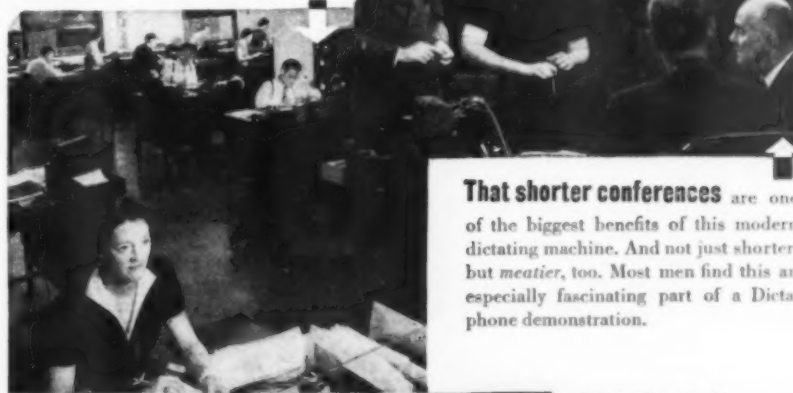
**That you and your secretary,**

with shorthand, spend about twice the  
time that you ought to on each day's  
mail. The answer lies in a technique so  
simple it's amazing...and impossible  
the shorthand way.



**That your phone calls** can be put on  
the record while they happen with Dicta-  
phone—thus making orders given or  
taken mistake-proof and alibi-proof.  
You'll be interested to see how easily  
it's done.

**That your whole staff** works better  
and more smoothly with the Dicta-  
phone. Less confusion. Fewer misun-  
derstandings. More gets done...at an  
easier pace!



**That shorter conferences** are one  
of the biggest benefits of this modern  
dictating machine. And not just shorter,  
but meatier, too. Most men find this an  
especially fascinating part of a Dicta-  
phone demonstration.

**That the whole  
story** of Dictaphone  
... what it does, and  
who now uses it, and  
how they like it... is  
yours for the asking.  
In your own office. As  
briefly told as you wish.  
With no obligation.  
Mail the coupon and  
we'll do the rest!

**THE TREND TO  
DICTAPHONE  
SWEEPS ON**

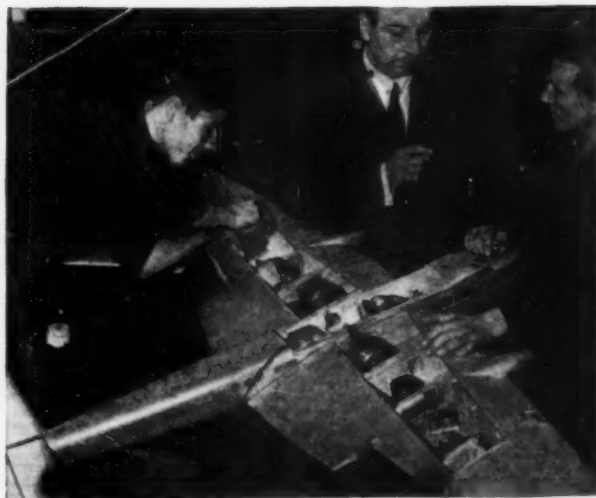
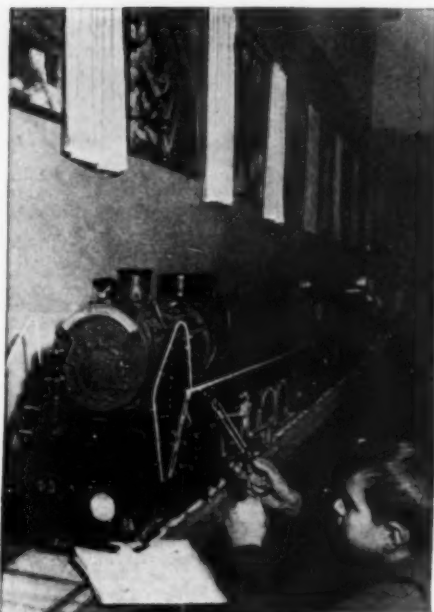
Dictaphone Sales Corp., 420 Lexington Ave., BW-2  
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In Canada—86 Richmond St., West, Toronto  
☐ Please let me know when "Two Salesmen in  
Search of an Order" will be exhibited in my city.  
☐ I want to see your representative.

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_

The word DICTAPHONE is the Registered Trade Mark of Dictaphone Corporation.  
Makers of Dictating Machines and Accessories to which said Trade Mark is Applied.



## Russia Prepares— for Industry



Twenty years ago Russia was a country of peasants living, for the most part, in scattered villages connected only by dirt roads impassable many months of the year. The Bolsheviks determined to industrialize the country, and in 1927 started the first of the famous 5-year plans. In them, greatest emphasis has been placed on the training of young Russians who have none of the pre-revolution prejudices but a passion for machinery.

Part of this youth education program has been the building of industrial museums in every major city, where children are sent regularly to work, under skilled instructors, on models of every kind of machine commonly used in Russia. This practical course in physics, chemistry, and mechanics, all in one, has no counterpart in America, where a shortage of highly skilled technicians is today a serious industrial problem.

In the picture above, an excursion group of Moscow school children studies the workings of a blast furnace in the Polytechnic Museum.

Top picture left column, Mitya Votsman, fifth-grade pupil, measures with his calipers the piston of a locomotive in the Kharkov Palace of Pioneers. After school hours Pioneer Votsman is busy at home building a model locomotive of his own.

In the middle picture at the left, young model-builders assemble a miniature windmill thermoelectric station of the type used in rural areas.

Below left, two embryo inventors complete a radio-controlled airplane in one of the 700 technical training stations.

Below right, studying the construction of auto motors in Leningrad.

Soefotus



# Business Abroad

**New signs of large-scale international cooperation develop in Washington, London, Paris. Foreign trade gains in Britain. Washington studies French franc.**

HALF a dozen developments helped to clear the international political atmosphere this week. Tension in the Mediterranean was considerably eased when Italy accepted the Anglo-French bid to enter the "patrol" pact, and only nominally on an equal basis for British and French vessels will cover a much larger territory than is assigned to Italy. At the same time, Anglo-French prestige is considerably strengthened by the success of their bold front at Nyon a few weeks ago.

Of even greater importance to the United States was the British statement that London is willing to consider special tariff concessions in the colonies for some of the great "have not" nations who want their raw materials and who have manufactured goods to sell in return. This proposal supplements the avowed aim of Neville Chamberlain to bring to a head the long-pending negotiations for an Anglo-American trade pact. It is the touch that is necessary to assure the success of the Hull reciprocal trade program and it might do a great deal to improve the world economic outlook at a time when executives and the market are nervous over a possible slump which they fear will follow the completion of the various rearmament programs now under way.

In Washington, British and United States officials were conferring without making official reports to the public. Of major concern were monetary problems, particularly problems which have already arisen and which are likely to multiply as the French franc weakens further. England and the United States are carrying the full burden of the tripartite accord now, and a part of the discussions at Washington were plans for assisting France.

## Fascist Conference

The Hitler-Mussolini talks in Germany are being watched with a great deal of interest, but it is expected that both are too eager to cultivate British goodwill to take any step which will anger London. Without failing to acknowledge their full nuisance value, critical observers still point out the inconsistencies—from the point of view of both the economic conditions in Italy and Germany and the political ambitions of Berlin and Rome—of any lasting alliance.

Elsewhere, United States observers noted that the Japanese government has thought better of its first scheme to prohibit all raw cotton imports for the rest of the year, in spite of large stocks on hand.

British exports are registering remarkable gains, though the steel industry is unable to meet all export demand. United States foreign trade is entering the heavy export season. Europe will be a large purchaser of the fall lines, though the tremendous gains in Latin American markets in the last few months are expected to continue.

## Argentina

**Trade balance with U.S. grows. Buenos Aires sewer system will be modernized. First foreign Argentine tourist bureau in London.**

BUENOS AIRES—The larger corn crop in the United States this year precludes heavy Argentine exports to that great northern market which for the last few years has provided a rich outlet for this country's crop. On the other hand, the fact that the September estimate of United States linseed production is only 7,640,000 bu. compared with the August estimate of 8,014,000, indicates a larger market for Argentina's large crop.

Trade with the United States for the first six months of this year, according to revised figures, reflects heavy abnormal grain exports to the United States:

	6 Mo. 1937	6 Mo. 1936
	(000 omitted)	
Exports to U. S. ....	\$82,410	\$28,162
Imports from U. S. ....	39,650	25,046
Balance, favoring Argentina. ....	\$42,760	\$ 3,116

To encourage the importation of Argentine grapes next season, the Swedish government will remove the duty on grapes from Jan. 1 to June 30, the period corresponding to the Argentine fruit marketing season.

Argentina is greatly interested in the decision of the League of Nations to call an international conference to consider the sanitary regulations which should be placed on meat in international trade. This is of obvious importance to the Argentine because of its controversy with the United States over sanitary regulations governing meat exports from Argentine packing houses.

A new glass factory is to be built at Llavallol that will produce about 500,000 square meters of printed glass

annually for housebuilding purposes. Chief participant in the new firm is the French producer, St. Goubain, with whom two British companies are associated.

The Ministry of Public Works has approved and Congress will be asked to appropriate expenditures of nearly \$18,000,000 for the modernization of the Buenos Aires sewer system. The work will be carried out over the next five years.

A tourist bureau, the first attempted abroad by the Argentine, is to be opened soon in London. The bureau is being organized under the leadership of the Department of National Parks, but railways and shipping companies will be invited to contribute to its support. Initial appropriation is about \$26,000.

## Great Britain

**Market still bearish despite better earnings reports. Government shows new eagerness to cooperate with Washington on world trade program.**

LONDON (Cable)—The stock exchange opened this week with a general downward trend in share prices in all classes. The result is a further triumph for the alarmist group which has been dominating the market for several weeks over the group which sees only continued progress ahead for most fields of industry, in both Great Britain and the United States.

Continued weakness on the London and New York exchanges and the forced liquidations which they have caused has been reflected all week in the commodity price declines. In most cases these cannot be traced to declines in consumption, but rather to evidences that suppliers are going to enlarge quotas next year and that they can meet the increases. The probable increase in the rubber quota in 1938, and the ability of suppliers to fill this new demand are behind the weakness in rubber shares. Holders are fearful that present high industrial levels cannot indefinitely be maintained, or increased. The stock exchange looks forward, whereas industrial results are retrospective. Hence the lack of influence this week of a further batch of satisfactory company results showing substantially higher earnings.

Peace plans are obviously a matter of major concern to British government authorities now, and developments this week indicate that they are ready to make substantial concessions to support the cause. The new suggestion from both London and Washington that it is time for closer trade cooperation, and Eden's speech regarding concessions to the "have not" nations on colonial tariffs



**PLANNED HOUSING FOR SOVIET WORKERS.**—One of the problems of industrializing a nation is to provide housing for workers. Rather than let industrial centers grow as they will, Topsy-like, the U.S.S.R. is building planned cities. Above, an example: 600 blocks of workers' apartments erected *en masse* near the gigantic Molotov automobile plant (named after the president of the Council of People's Commissars) at Gorky. And at the left, a typical example of the architectural oddities found on every hand as the government pushes its bold reconstruction program in the overcrowded cities: a modern Moscow apartment in sharp contrast to a building of pre-revolution days.

indicate this, but they are also gestures designed to mobilize world opinion behind British policy and thus force dictators to negotiate within the comity of nations or risk alienating world opinion and the sympathy of potential allies.

Britain's conciliatory policy is no indication of a weakening of the defense program. Rearmament marches on behind peace-making efforts. This policy is reflected in the willingness to meet the American viewpoint in current Washington talks, for, as British anxiety over French weakness increases, the desire to cement ties with America grows.

**Anglo-American cooperation** on monetary affairs can stem any international flurry caused by further franc devaluation. This week's Washington discussions are being held to develop a detailed line of action. These are the first signs of progress since early last spring on Roosevelt's plan to "do something for Europe." Britain's new eagerness to cooperate is a good omen.

## Soviet Union

**Moscow analyzes the purge in the textile industry, plans wage increases, new machine output.**

MOSCOW (Cable)—With a view to heightening textile workers' incentive and mitigating the "disaffection" which the authorities attribute to Trotskyist and Bukharinist activities, the new Commissar for Light Industry has promulgated an increase in wages ranging from 12% to 20% and is making determined efforts to accelerate production.

The textile industry is especially delinquent in its production program. Output by the end of August fell short by 467,000,000 yards of cotton cloth. While the population of the Soviet Union was clamoring for more cotton goods, 200,000 tons of last year's cotton harvest were still lying unutilized in warehouses.

Quality of the output, under Former Commissar Lubimov, continued to deteriorate. Damaged goods augmented from 15% in January to 24% in July. Machinery repair work was not left to each mill, but was assigned to a special repair trust, which kept the factories waiting for days, and thousands of workers idle. According to authorities, the ostensible purpose of the repair trust was to attain greater efficiency, but it happened also to serve as an alibi, for factories failing their production plan could readily shift the blame to the delay in repairs.

**Low wages** admittedly have prevailed in the textile industry. The official view is to attribute them to the deliberate efforts of disaffected or traitorous factory directors to provoke dissatisfaction among the workers and cause an immense turnover in employment. In general, the party and government have chosen to blame enemies of the régime for the lag in light industry.

**Consumers' goods** are undoubtedly not being supplied in sufficient quantities, and the organ of light industry this week directly attributed to a lack of vigilance on Former Commissar Lubimov's part the inadequate "tempo" in his department.

"Mortal enemies of the people, Trot-

skyist and Bukharinist spies," the publication states flatly, "wormed themselves into positions as directors and administrators in numerous factories, in which they effectively carried on their work of disorganization." Party organs in general are exhorting all citizens, old and young, to exercise "vigilance" against such activities.

**Textile machine production**, according to governmental plans, is to be sharply increased, and every effort will be made to see to it that industry utilizes this year's unprecedented cotton harvest, which is estimated to reach 750,000 tons.

## Germany

**Political outlook brighter, but business is worried over possible relapse when rearmament ends.**

BERLIN (Cable)—The political atmosphere is slightly eased by Italy's acceptance of the invitation to the Paris anti-piracy talks, but business here is increasingly worried over the possibility of a domestic relapse following the termination of the rearmament boom and the imminence of greater government interference in industry.

**Industrial leaders** have now given up all hope that they will receive much protection from the more radical Nazi party demands for government control over all lines of business. Dr Schacht, during the entire Nazi régime, has been their protector, as well as their most acceptable official representative in world



financial centers. Effective this week, the entire control of the Economics Ministry reverts to Gen. Goering, radical supporter of all party demands.

Seemingly the only bright spot in the business picture this week is the August foreign trade report which shows a 32% gain in exports over last year, and a favorable trade balance of 60,000,000 marks.

**Germany's managed economy** is no longer subject to severe cyclical economic fluctuations. Even if armament orders subside, full employment is assured by Hitler's grandiose construction plans, the creation of new synthetic industries, and expansion of consumers' industries, all now considered urgent. The last point manifestly conflicts with the first two since a continuation of extravagant public investments implies contraction of consumption and lowering of the living standard.

**Retail sales** in July, in spite of the growing shortage of many necessities, were 12% ahead of last year. Unbiased observers explain this paradox on the basis that the public, not being able to obtain certain necessities, is spending more on nonessentials. Chocolate candy sales, for example, are up 20%, which also is partly traceable to hoarding caused by the new restrictions on chocolate and similar manufactures.

## Canada

**Fall outlook is favorable. Newsprint prices may be modified. Budget will be balanced.**

OTTAWA—Canadian business enters the autumn with the upward trend sustained. The Canadian Manufacturers' Association reports for mid-September a continued increase in most manufacturing lines, with employment still rising. Wholesale and retail trade is shown in a Halifax-to-Vancouver survey to be fair to improving. Quebec carloadings were the best in seven years, with improvement elsewhere. Automobile production was a bright spot in August, with 130% increase over 1936.

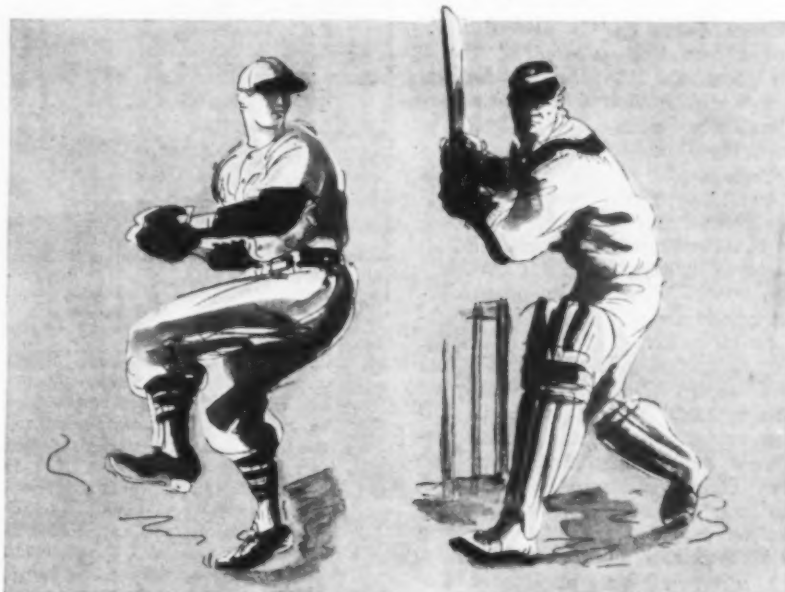
After a 15-year shutdown, Canadian Car & Foundry Co. is opening its \$3,500,000 Fort William plant. Income tax collections for the first five months of the fiscal year are up 20% from last year.

**Japanese trade penetration** is due for its first check in two years under an Ottawa order raising the Empire content requirement for cotton textiles from 33 1/3% to 50% for preferential duty purposes. The Japanese have been sending partly manufactured goods to England for finishing and re-export to Canada. Canada had previously lowered the content requirement to permit Lancashire mills to use U.S. cotton.

**Newsprint stocks** in the hands of

# A Shock!

## for American Manufacturers selling in England



THE UNITED STATES has a population of 128,000,000.\* The "Saturday Evening Post" has 3,700,000 circulation.† It reaches approximately one family in every ten.

ENGLAND has a population of 46,000,000. The "Radio Times" has 2,800,000 circulation. It reaches approximately one family in every four.

## Here is an English magazine with *three times* the coverage of the *Saturday Evening Post*

**Make sure you have the *Radio Times* on your list**

ON SEPTEMBER 28TH, 1923, the British Broadcasting Corporation issued the first number of the "Radio Times." It was an instant success. Today, after thirteen years of steady increase, the guaranteed average net weekly sales of the "Radio Times," selling at two pence a copy, are 2,800,000 per week.

**What is the reason for this success?**

The "Radio Times" satisfies a real need. Published by the British Broadcasting Corporation—which controls every radio broadcasting station in Great Britain—the "Radio Times" is the only publication allowed to print the entire week's radio programme in advance. This means that every issue is read

\* 1936 estimate Bureau of the Census † Rate base

day by day for a whole week.

And who reads the "Radio Times"? People who have money to spend. The "Radio Times" reaches a larger number of well-to-do families than any other leading publication in Great Britain.

Although the "Radio Times" advertising income has increased enormously during the last five years, as a matter of policy the total volume of advertising published has been kept almost level. This means that the "Radio Times" policy is to protect you, the advertiser, from crowded positions, from too much direct competition and the evils of unethical advertising.

If you are selling in the British market, you should be advertising in the "Radio Times." Write for full information to: Advertisement Director, British Broadcasting Corporation Publications, Broadcasting House, Portland Place, W. 1, London, England.

# RADIO TIMES

**GUARANTEED AVERAGE NET WEEKLY SALES 2,800,000**

Members of the Audit Bureau of Circulations

United States publishers have shaded somewhat the summer-long confidence in Canadian newsprint manufacturing circles. Publisher accumulations are regarded as a possible lever to weaken the producers' support for the \$50 price for the first half of 1938, established by International Paper Co. contracts last spring and representing a \$7.50 increase. The price to be set by Great Northern Paper Co. is awaited with some concern although Montreal reports only about 120,000 tons of Canadian paper would be affected, the former interlocking and price-fixing contract system having been terminated.

**Mining** will strengthen Canadian resistance to any pause in recovery, Federal Mines Minister T. A. Crerar declared, estimating 1937 mineral production at \$450,000,000, up \$100,000,000 from 1936. With Alberta oil production apparently on a sound basis, producers are looking for a way to market. They ask exclusion of Montana oil from the Canadian West, and a subsidy on rail shipments to other provinces. Another proposal is that the federal government build a \$5,000,000 pipe line from Turner Valley to Regina. Production is now at 15,000 barrels a day with an increase to 25,000 barrels in early prospect.

**A balanced budget** for the Dominion is in prospect next March, in place of the \$35,000,000 deficit estimated six months ago. For the first five months of the fiscal year, revenues are up \$42,000,000, with total expenditures down a little more than \$1,000,000. All sources contribute to the improvement, notably excise taxes, which include the sales tax, with a boost of \$16,000,000. Customs returns are up nearly \$7,000,000.

**Expansion of steel plants** in Canada to meet the demands of automobile manufacturers was reported to the Tariff Board at Ottawa this week. Automobile makers complained of difficulty in filling steel requirements from Canadian sources but the steel men gave assurance that they were taking care of the situation. Canadian automobile factories will have to meet next spring a boost to 65% in the Canadian content requirement. Meanwhile, the Tariff Board is proceeding with its inquiry into the spread between Canadian and American car prices.

The opening, in November, of General Motors' branch plant in Regina, idle since 1930, should help to lower the price differential in Western Canada, chief source of consumer complaint, by lowering freight charges. The west has been supplied by General Motors from Oshawa, Ontario. After undergoing modernization to cost an estimated \$700,000 the Regina plant is expected to turn out 125 cars and trucks daily, and will employ about 400 men.

## AMERICAN SALES OF WAR MATERIALS

(Export Licenses Issued . . Oct., 1935—Aug., 1937)



**IT WON'T WRECK BUSINESS**—Arms, munitions, and airplanes and parts comprise Washington's list of products to be sold abroad only on a license basis. When the President officially recognizes that a country is at war, he automatically places an embargo on the export of these items. Since the license law was enacted, it has been revealed that the restricted business is relatively a small part of United States foreign trade—no more than 2½% in any one month. When the President decreed last week that shipments of these products to Japan and China could not be made on government vessels, and could be carried on privately-owned American ships only at the risk of the owners, he penalized China more than Japan. The Chinese have been the largest purchasers of the licensed products—mostly airplanes and parts—and have almost no fleet of their own to pick up the merchandise at American ports. Japanese vessels call regularly at both Atlantic and Pacific coast ports. Both countries placed heavy orders in this market during the last two months before the shipping ban was announced. Both can still buy here on a "cash and carry" basis.

## Exports Affected by Present Neutrality Embargo Are Small

Month	Total U.S. Exports (000 omitted)	Total Orders for Licensed Items (000 omitted)	% of Total Exports	Total Licenses Exports to Japan (000 omitted)	% of Total Exports to Japan	Total Licenses Exports to China (000 omitted)	% of Total Exports to China
1936							
January	\$198,564	\$4,218	2.1	...	0.0	\$3,055	106.3*
February	182,024	1,316	0.7	\$27	0.2	491	20.2
March	194,792	746	0.4	33	0.2	100	2.7
April	192,795	1,255	0.7	8	0.1	301	8.8
May	290,772	5,096	2.5	85	0.6	1,390	39.9
June	185,693	1,808	1.0	4	0.03	300	5.6
July	179,828	2,945	1.6	13	0.1	661	13.6
August	178,314	1,047	0.6	14	0.1	109	2.3
September	220,147	1,998	0.9	89	0.4	782	21.5
October	264,740	1,485	0.6	108	0.4	306	7.1
November	225,766	3,454	1.5	682	2.8	52	1.6
December	220,739	4,975	2.3	115	0.7	385	8.1
1937							
January	221,550	3,276 *	1.5	13	0.1	369	6.5
February	232,504	3,747	1.6	34	0.1	163	3.8
March	256,390	3,685	1.4	5	0.02	24	0.5
April	269,170	4,033	1.5	19	0.1	452	8.4
May	289,928	4,776	1.6	13	0.04	84	1.4
June	265,363	2,765	1.0	21	0.1	21	0.4
July	267,185	1,700	0.6	204	..	310	..
August	...	2,866	..	296	..	1,207	..

\* Licenses exceeded total exports.

Business Week

# Money and the Markets

**Stocks do better, but are handicapped by lack of definite signs of business improvement, and by small volume on the price rallies. But Washington is counted on to prevent bad recession.**

STOCKS did very much better this week. But, as all things are comparative, doing very much better actually means only that they tended to go up a little rather than to go down a lot as had been the habit of recent weeks.

Two things could have made stock traders much happier. One would have been a definite indication of autumn business improvement (instead of which the news has been, if anything, a little less encouraging). The other would have been more speculative enthusiasm on the price rallies (instead of which volume has inclined to fall off on the rises, and that never gives speculators an impression of inherent technical strength).

## Bargain Hunters Busy

In the absence of real bullish ardor—with buying distinctly of the bargain hunting type rather than of the hand-over-fist character—some pretty dull moments were recorded this week. The ease with which all minds could be diverted from the market was demonstrated at noon Wednesday.

A group of Denver Legionnaires, formal convention activities over, went to see the New York Stock Exchange. This gaily costumed crowd was headed by a bevy of pretty cowgirls. Whether the gals caught the eyes of members, or whether they were simply in a holiday mood, need not be divulged. At any rate, traders left the posts, the ticker came to a halt, and the visitors'

gallery was the center of attention. Members tossed their identification buttons to cowgirls in exchange for autographed neckerchiefs; one fat Legion-



**PROSPERITY BONUS**—With income nudging—if not exceeding—1929, International Harvester's President Sydney G. McAllister this week announced bonuses of \$4,400,000 for 65,000 employees.

naire was overheard to wonder what had happened to the money he had lost on the stock exchange in 1929.

About as much significance may be attached to the visit of the Denver dele-

gation to the Stock Exchange as to the widespread rumors which attributed the break in the last half of August and early September to bear raiding. Denials that there has been any appreciable volume of short selling—either originating in this country or abroad—may be taken just about at their face value.

There was some selling by the pessimists, of course. There always is. But the bears, who at no time took the July-August rally from the spring lows very seriously, couldn't have been very active. The official figures show that. The short interest actually declined from 1,007,736 shares at the end of July to 966,935 at the end of August. As there won't be any report for the middle of September, it won't be known what happened in that period—unless the Securities and Exchange Commission collects the data and reports.

## More Covering Due

Nevertheless, there have been unofficial canvasses and reports. They all indicate that the bears have given the market anything but a severe pounding. And, as the bears do a lot of covering before stocks steady out as they did this week, it would not be at all surprising if the figures on the short interest at the end of September prove to be lower than they were at the end of August—unless all the so-called professionals decide that business is going into a major slump in the next few months.

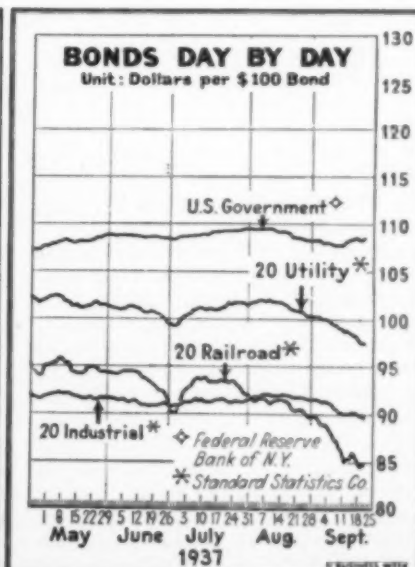
And, while the calamity howlers find some ammunition in the business statistics (such as this week's dip in steel ingot production), there are still some toothsome items in the day's news. For example, it is a safe guess that American Smelting & Refining will make a pretty handsome report on 1937 earnings. "Smelters" directors this week voted a \$1.75 dividend on the common

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in contrast to the three quarterly payments of 75¢ earlier this year.

That brings payments for the year until Nov. 30, when the latest dividend is payable, to \$4 a share, against \$2.25 paid in 1936. And that isn't all. The directors noted the fact that they cannot now foresee 1937 results completely, and that they will meet in the latter part of November to see if they should authorize another dividend to avoid too much tax on undistributed profits.

### Credit to Stay Cheap

Quite aside from news of industry, those who expect business to sag pretty sharply are reckoning without Washington. Temporary recession there may be, but the New Dealers already have demonstrated that they don't want it to be more than that. The recent sterilization of \$300,000,000 in gold, and the cuts in the Federal Reserve discount rates, were enough to show that. Business will at least be provided with plenty of credit—and pump priming is always available if things go too far.

This prospect of ample and cheap credit continues to buoy bond prices. Commodity markets, however, haven't been giving striking response to any outside stimuli. Cotton continues to do no better than hold even. Pressure of hedging sales seems to indicate that farmers are selling their crop rather than putting it in warehouses for government loans.

## Douglas Heads SEC

**Tougher than Landis, he will push for various changes opposed by Wall Street.**

IN high school he was on the debating, track, and basketball teams. He emerged from Whitman College, Walla Walla, Wash., with a Phi Beta Kappa key dependent from his watch chain. For years he vacationed in New Hampshire, fishing for bass. He plays golf sporadically, goes around in 110 or so, but when he hits the ball, it's hit. That's William Orville Douglas, newly elected chairman of the Securities and Exchange Commission.

His hair is sandy. He is married and has two children. He works tirelessly and abhors sham. About 5 ft. 10 in., around 160 lb., he is the sort of person who could slip into a bus or street car and never be noticed. And, for the most part, Douglas was the unnoticed type of man until he spoke before the Bond Club of New York this spring. Prior to that, he was just another member of the SEC.

At that lunch he let loose. He told investment bankers and bond salesmen what he thought of their methods. He

assailed banker domination of corporations; he attacked canned bids for security issues by bankers. He demanded a competitive bidding for new offerings, similar to the auction market which already prevails for municipal securities.

That speech lifted Douglas from the crowd. It ired Wall Street, but it undoubtedly impressed President Roosevelt, who has never lost any love on the "money changers," and it unques-



**SECURITIES BOSS**—After Harvard Professor James M. Landis went back to be dean of the law school at Cambridge, Yale Professor William O. Douglas (above) was elected to succeed him as SEC chairman. The other members of the commission voted for him because President Roosevelt wanted it.

tionably influenced the selection of Douglas as successor to James M. Landis. Douglas had become a "spokesman" for the SEC.

Douglas differs from Landis in one basic respect. Landis likes to be liked. Douglas is not so apt to try to please. Quiet, almost restrained in manner, yet he has will and force when fighting for his ideas. And Wall Street need not be surprised if he pushes ahead for segregation of broker-dealer functions, for regulation of investment trusts, for rules covering reorganizations of corporations and the work of protective committees.

### A Liberal Conservative

Douglas considers himself a conservative—a liberal conservative. Like so many men in the Roosevelt Administration, he feels that the present system, to be preserved, must be changed; and therefore he believes that reforms in finance are necessary if an equitable and

free market is to be maintained. Partners in firms which take margin accounts may be required to confine their exchange dealings to cash transactions, and the commission will soon have ready rules on price stabilization for new issues (the long-awaited rules for "pegging").

Douglas is impatient with all forms of subterfuge. Essentially, he is a logician—a man who goes to the root of things and tries to find the answer. To sidetrack him with bypaths will be bad tactics. It will arouse his suspicion, rather than charm him with finesse. Yet no sudden or radical changes impend. As a lawyer, he has profound respect for the orderly way of accomplishing things.

### May Speed Up Reform

A lot depends on whom Mr. Roosevelt appoints to fill the vacancy on the commission. If he is a man of Douglas' stamp, new regulations will come faster than otherwise. For Douglas, to date, has been the SEC dissenter. He needs another commissioner's aid in voting to swing the commission. With one more sympathetic mind on the commission, votes which have been 3-to-2 against the Douglas views may shift to 3-to-2 in favor.

**Black vs. White**—From time immemorial, men have divided into camps of thought. In art, the romanticist played the realist, and vice versa; at the Scopes trial in Tennessee, Moses was arrayed against Darwin; in the field of business prediction, the statistician vies with the star-gazer; and in interpreting the major moves of the stock market the fundamentalist has battled with the chart-reader.

The fundamentalist is the thin chap with eyeglasses who examines carloadings figures, steel output, department store sales, and a fairly elusive thing called sentiment to reach his conclusions on (a) the long-term trend, and (b) the intermediate probability. But essentially, he is a long-termer and his base is what might be termed "economic fundamentals." The chart-reader attends to no such imponderables. He relies entirely on the tale of the ticker. And it's amazing how often in the past he has been right—and how often wrong.

Into this well-defined and generally accepted division of thought separating the chartist from the fundamentalist has come a short and brawny Englishman with a high-pitched voice, a ready wit, and an entrancing accent. He is Major L. L. B. Angas, who came to these shores in search of fame and fortune not so long ago, and apparently has found both. Sweeping aside the time-accepted chart-reader of the Dow Theory school and plumps emphatically and dramatically for the Angas Theory.

There seems to be no peace and quiet and respect for age in this modern world of ours.

### A Rose by Any Other Name—

There's no doubt that the major has a knack. He might well have been an advertising man. He has a way of saying things which invests them with a grand significance out of all proportion to their basic significance. In short, the major is the Kipling of finance. He can use words.

Just after the market took its recent spill, the major came forth with a two-column advertisement: "Dow Theory versus Angas Theory," in which he pointed out the inaccuracies of the Dow Theory and the perfections of the Angas Theory. His thesis was that the Dow Theory could no longer be successful, because monetary management had overthrown the validity of its signals.

The Angas Theory, incidentally, is just about as ancient as speculation. When Alexander Hamilton planned to redeem the bonds issued by the Continental Congress, American and European speculators alike watched what the "money managers" of the 1790's would do. And the stock market fundamentalist, who carefully records steel operations, electric power, carloadings, and bank debits also follows the maneuvers of the central government. He'd be a half-wit if he didn't.

So, really, when you get down to the "Angas Theory" it's just a rose by another name. The major is a fundamentalist; and like all fundamentalists, he must array himself (by the very nature of things) against the chart-reader, or in this particular case, the Dow Theorist. It's the old, old story of Bryan against Darrow at the Scopes trial, the French Academy against Zola, and Harvard versus Center College.

**Fight Flops**—Time was when Archie Andrews was engaged in a bitter battle with rivals in the electric shaver field over patents, and had the Securities and Exchange Commission on his neck over alleged manipulation of Dictograph Products stock (BW—Aug 22 '36, p 42; Nov 28 '36, p 49). There were suits and counter-suits, injunctions, hearings, and press statements.

Then Andrews beat the patent infringement charge and things got tamer. Now they have fizzled out entirely. The SEC and Andrews and associates have entered a stipulation which ends the commission's prosecution.

The matter is dropped on the promise that Andrews and those made defendants with him will not in the future do any of the things charged to them by the SEC in this action. The defendants, however, do not thereby admit that they did any of those things; nor do they agree to refrain from doing in the future

anything with which they were not specifically charged by the SEC.

The principal result of it all has been that Dictograph has gone off the New York Curb Exchange to the over-the-counter market.

**Gratification**—Secretary of the Treasury Morgenthau saw no "better way of measuring the success" of the government's \$300,000,000 gold desterilization move than the sale of Treasury bills at the lowest rate in months. The government was able to get by with a 0.441% discount basis, as compared with 0.58% a week before, and 0.711% two weeks earlier. The interest cut was substantial.

Banks, assured that their excess reserves would stay at a nice level, felt freer to take up the federal offering. The effect of the desterilization action, moreover, was immediately noticeable in the reports of New York City member banks. Excess reserves for 22 institutions jumped from \$185,000,000 to \$311,000,000, the largest amount since the last increase in reserve requirements on May 1.

Whereupon, the Federal Reserve Bank of New York decided to discontinue releasing figures on excess reserves because these would be of no significant interest in the totals. In recent weeks, the bank had been besieged with requests for day-to-day returns. That is because reserves of New York banks are a key to money conditions all over the country (BW—Sep 4 '37, p 20).

In effect, what has happened is this: By restoring gold to the Federal Reserve System, the Treasury boosted reserves of banks all over the country, and New York City banks got a large share of this boost. The result was to shove excess reserves in New York City up above the

border line, and member banks will not be faced with the near-term necessity of borrowing. Hence, the Reserve Bank has concluded that the excess reserves will not be of wide or vital interest.

Actually, however, they are still of commanding importance. Any serious dip below current levels would indicate a drain on reserves and would suggest rediscounting shortly thereafter at the Reserve Bank. That, in turn, would be a harbinger of stiffening interest rates. In other words, when excess reserves get below the plimsoll line, it is an important financial signal.

And, though the Federal Reserve Bank has discontinued giving the data, they are still available to those willing to work for them. *Business Week*, on page 22 of the Sept. 4 issue, showed how to compute excess reserves for the 16 weekly reporting member banks. The Federal Reserve estimates on reserves covers 21 banks, but for all practical purposes the reserves of the 16 banks are a satisfactory criterion of what is happening. The 16 weekly reporting member banks cover New York City's largest institutions.

**Bond Ratings**—When Gaylord C. Cummin, speaking at the National Security Traders Association convention the other day, criticized "ratings" on municipal bonds, he kicked the lid off something. The business of the investment services putting ratings such as A1 and A and B1 and B on municipal bonds had been bothering the municipal dealers for a long time but they hadn't wanted to make a fight of it.

In the first place, there isn't much quarrel with the ratings on well-known bonds which make most of the business. In the second place, dealers were afraid



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Take economy—which is important. J. B. Dean, prominent Ford dealer of Mason, Mich., kept a record of fuel costs for 6 years in his home, using liquid fuel. It averaged \$143.33 a year. With Iron Fireman, fuel cost is now only \$87.14 a year. Saving \$56.19 or 39%.



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they might be accused of trying to get more than bonds were worth if they argued that the statistical agencies were wrong. But, now that the thing is out in the open, they are willing to talk about it—and to cite instances in which they think the rating services have erred.

The dealers feel that the statistical organizations use too rigid a formula in determining ratings. They contend, and many who know their bond markets will agree, that dealers make the market, and the price tells better than any arbitrary rating the value of a bond. They don't like to take a price 2 or 3 points below what they think is right when selling a bond simply because it has a certain rating; they don't like to have customers call them chisellers if they ask more than the rating indicates the bond is worth. Many moderate-sized-to-small banks and other institutional investors follow the ratings, and there's the rub.

The statistical services are inclined to think their ratings are pretty accurate. They're chary of changing a rating on a dealer's request, for fear the bond man's views are shaped by self-interest. And, they say, what would the bank which can't afford to hire an investment expert do without the ratings?

**For the Record**—Not that anything final is due for a long, long time, but this week marked another step in the progress of the Public Utility Act of 1935 up to the Supreme Court for a constitutionality ruling. This time it was the Securities and Exchange Commission's turn to say something, Electric Bond & Share having taken an appeal to the Circuit Court of Appeals—after failing in an effort to by-pass the Circuit Court and go right on up to the highest court (BW—Jun 5 '37, p. 57).

The SEC this week filed a brief in which it simply restated the arguments which were upheld by Judge Julian W. Mack in his decision early this year. The commission insists that it sued Electric Bond & Share and subsidiaries to force them to register. On that basis, it con-

tends that only sections 4 and 5 of the law—the sections which say that all holding companies must register—are in litigation in this suit.

Electric Bond & Share, being told by Judge Mack that it should register now, and fight the act if and when the company is actually damaged, took its appeal, in effect, on the contention that there isn't any question about damage being inflicted. It contends that, after it registers with the SEC, it will be too late to do anything about the dread "death sentence" in section 11 of the law; that, therefore, section 11 must be considered right along with sections 4 and 5.

After the Circuit Court decides this point, whichever party loses the decision is sure to appeal to the Supreme Court. That will be a long time hence, and even then the high court might send it back down to the lower courts—that's happened in several utility suits before now.

**Packers' Profits**—Considerable optimism has marked forecasts on earnings of the big meat packing companies, whose fiscal years end Oct. 31. This week, however, it became apparent that operating results are not entirely uniform among the Big Four.

Cudahy Packing Co. has taken no action on common and preferred dividends due at this time (and now, just before the close of the fiscal year, is the time to act if there is anything to do about the undistributed profits tax). Since organization in 1915, Cudahy has paid common dividends in every year except those in the 1921-23 "commodity panic." But a letter to stockholders, signed by E. A. Cudahy, Jr., says "profits this year will be somewhat disappointing."

That the decision came as a distinct surprise is indicated by the action of the common on the New York Stock Exchange. It had receded from the year's top of 43 to close last week at 34½. In Monday's papers was the announcement that directors had deferred dividend action "until improved conditions warrant" a resumption. The stock wasn't traded on Monday and the closing bid was 20, with 25 asked. On Tuesday, buyers and sellers got a little closer together and the stock closed at 24½.

Mr. Cudahy described adverse conditions affecting earnings as short supplies of livestock following the droughts of 1934 and 1936, substantial increases in wages, new and higher taxes, and increased costs of certain supplies. (Traders in other packing shares weren't disturbed, apparently, for their favorites moved with the market rather than with Cudahy.) Cudahy's showing was doubly disappointing because its past record has been somewhat more stable than most of the others, probably due to its steady and substantial income from Old Dutch Cleanser.

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# Editorially Speaking—

"SAN FRANCISCO" is a long name, often too long to be used in a headline. Why do San Franciscans object to "Frisco"? What's the matter with "Frisco"? It sounds all right to us. What have San Franciscans got against it? Is their objection based on anything better than one of those local superstitions that hang on forever simply because they're so old and so irrational? We wait for enlightenment. But we don't expect to change our mind.

"DRIVING down along the Potomac Sunday," writes That Gentleman in our Washington Bureau Who Looks and Speaks Like Charles Butterworth, "I stopped in a beer-and-grocery and saw a drunk Virginian playing hoedown on a fiddle, straining beaker after beaker of ale through a brush mustache and a slug of home-tanned tobacco, and adding to that a considerable volume of talk.

"Presently somebody suggested, in an aimless exchange, that he resort to some dishonesty with his neighbors. 'No, sir,' said the Virginian; 'I won't. My father told me 40 years ago that honesty was the best policy, and God knows he had tried both.' That has the color of an old saw, but it's new to me."

In our childhood we read in the grammar books that two negatives make an affirmative. We didn't believe it then, and we never shall. But this old superstition is hard to shake. You seldom run across an example that clearly disproves it. But Thomas Mann, the greatest of German authors, has provided one. In his voluntary exile in Switzerland he has started a new magazine, and the first issue contains an article in which he writes:

"We are not afraid that there are not today many people in many lands, in fact the best and the best-intentioned, who can unite in a program of preservation and freedom."

Here it is obvious that "We are not afraid that there are not" does not mean, "We are afraid that there are." It means, "We are confident that there are." Two negatives don't make an affirmative; but we are not sure that our protest against this grammatical superstition is not useless.

DR. ALEXIS CARREL is another of those scientists who wander out of their own specialties into the entire field of human life, which they promptly analyze, criticize, classify, and prescribe for. As a planner, Dr. Carrel makes Rex Tugwell look as modest as Donald Meek. He wants to reorganize the life of every man, from birth to cradle. Babies must be sniffed, watched, defined according to type, and given just the upbringing

their types call for. Who are the Omniscient Planners that can perceive the type of every human being? They don't exist. The "science of human typology," as Dr. Carrel admits, is still in its infancy. We'd go farther and say the science of human typology is still prenatal. It may not be born for centuries, if ever. All the talk about it isn't scientific analysis, it's dreamy mooning.

DAY before yesterday we ran into a friend we hadn't seen for many months, the art editor of a woman's magazine. He told us he'd had a scrap early this year with the fiction reader. She's a big, robust, gifted woman, who has brought up a whole generation of writers, devising plots for them, telling them what sort of Christmas story would make a hit next December, and keeping them in touch with popular taste, which she knows instinctively, though unable to write popular stories herself. Her manners are confident, hearty, and sometimes formidable. Sweeping into some decorous restaurant with a squad of high-priced writers at her heels, she'll spot a friend across the room and shout cordially at him, making all the headwaiters jump.

Seems that early this year she got sore at the art editor of the magazine; so she crossed him off her list. Wouldn't speak to him. This state of affairs continued for some weeks. Meanwhile he was getting ready to go over to Europe and decided to take the *Hindenburg*, which was then on its way to the United States.

No sooner was this intention known in the office than the fiction reader marched in on him. "I hear you're going on the *Hindenburg*!" she said ferociously.

"That's right."

"—, don't you do it! I just saw my astrologer, and he told me the *Hindenburg* is going to have a dreadful accident right away."

"I don't believe in astrology."

"Don't believe in astrology? Why, you — — —, I'm giving you a chance to save your life. Act smart!"

"I don't believe in astrology."

"All right, you — — —, I'm warning you. My conscience is clear."

So out she went, and the *Hindenburg* came as far as Lakehurst, and blew up, and promptly everybody on that magazine began flocking to the fiction reader's astrologer.

THE Office Puzzler came in a moment ago to ask how we would pronounce the word *ghoti* if the *gh* were pronounced as in *rough*, the *o* as in *women*, and the *ti* as in *notion*.



## A fool and his money

There will always be plenty of fools with money to spend, but each year it's apt to be a different lot of fools. That's why I would rather get out a magazine for people of brains, ability and earning power.

I see the point of advertising many products in magazines which appeal to the average person. But if the product can be afforded only by people of good income—as, for example, a car above the \$1,200 range, or a bottled-in-bond whiskey—from my layman's viewpoint it seems rather absurd to pay for mass circulation.

I don't claim that THE DIGEST reaches all of the half million people with incomes above \$5,000, but I do insist that its readers are the sort most likely to be well paid. It is edited for able, busy men and women. Able, busy people are the ones who earn top incomes. Half a million families read THE DIGEST.

THE DIGEST, it seems to me, is a natural for an advertiser who knows that only about half a million families have enough money to buy what he sells—for it reaches a high percentage of such families—and probably doesn't reach anyone else.

ALBERT SHAW, JR.  
PUBLISHER OF

**The Digest**  
REVIEW OF REVIEWS  
233 Fourth Avenue  
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# BUSINESS WEEK

The Journal of Business News and Interpretation

SEPTEMBER 25, 1937

## What If There Were Six?

"Mr. Justice Black is in Europe," said President Roosevelt on Sept. 13. "Until such time as he returns, there is no further comment to be made."

But when Mr. Black returns, the President will not immediately interview him on his Ku Klux Klan membership, as the Presidential statement implied. For on Sept. 17 the White House announced that the President had finally made up his mind to take the Western trip which he had been considering for some time. He began that trip on Sept. 22. Mr. Black, returning from Europe, will probably take his place in the first sitting of the Supreme Court on Oct. 4, and the President will not get back to Washington until Oct. 6, when he will find Mr. Black actively on the job as a Supreme Court justice.

After that it will surely be a little late for the President to ask his resignation, if such a request was ever intended. At any rate, the President's absence from Washington will occur at a convenient time, minimizing his embarrassment.

In the press conference in which he issued his written statement, the President disclaimed knowledge of Mr. Black's Klan membership. "I know only what I have read in the newspapers," he said. The President appoints someone to the Supreme Court and gets his information about the appointee from the newspapers! That is not the source he relies on when he appoints a circuit judge, a district judge, or a district attorney. In all such cases the Department of Justice makes a thorough undercover investigation of the man from the day he was born. But in appointing a Supreme Court justice the President did not follow this normal procedure. He did not notify Attorney-General Cummings of his choice. He knew from Mr. Black's radical record in the Senate that this man was what he wanted. So he sent the nomination to the Senate—and got his information about the nominee from the newspapers.

But in that case why did he not read in the newspapers on the very day of the nomination—Aug. 12—that Mr. Black had been supported for the Senate by the Klan? Why did he not read in the newspapers on Aug. 14 that some senators were planning to raise the question whether Mr. Black had been a Klan member? Not

until three days later did the Senate vote on the nomination, and meanwhile the President had plenty of time to call Mr. Black in and ask him whether he had belonged to the Klan, and, if he had, when he had quit it.

Anyone who knows Mr. Black, as the President did, should have known that he would make a good Ku Klux Klan kleagle. His whole record is one of demagoguery and bigotry. As a senator he snooped in citizens' private papers, and the President knew it. What would the Supreme Court be like if there were six Blacks on it, as the President's court-packing bill intended? And if men of this kind are the President's choice for the Supreme Court, how can anyone expect fairness in the men he appoints to the National Labor Relations Board, the Securities and Exchange Commission, and the other agencies established to regulate business?

## Voice of the Prophet Is Heard in the Land

From time to time there are reminders that Roger Babson is still with us. He breaks into print by opening his oracular lips and unloosing a weird collection of prophecies. His latest effort is a speech in which he said: "It would be better for all concerned if some of the money now spent on advertising and selling were used to increase wages and dividends. Mass production must be met by mass consumption. This requires lower sales costs." In other words, mass producers can get more mass consumption by carefully refraining from calling their goods to the attention of the masses!

Either the auto industry or the building industry will boom, says Mr. Babson, but "people have not the money to both buy automobiles and build houses." He says he has a hunch that people will soon "see that a home and kids is a better investment

than a car and gas." A home and kids means the suburbs, a garden, a garage—and a car; if not immediately, then pretty soon. And any boom in residential building means car-buying by building tradesmen. In the late '20's we had both a building boom and an automobile boom in full blast at the same time.

But Mr. Babson is incorrigible—and unforgettable. The building industry well remembers that in the early 1920's he predicted a building slump because of high material prices, and when his prediction didn't come true, he tried to make it come true by advising people not to talk to a contractor or an architect. But still it didn't come true.

## Trade, Friends, And International Anarchy

On the same day that Sec. Hull warned against "the rising tide of international anarchy," Foreign Secretary Eden urged a British-American reciprocal trade treaty. It is significant that the British government should now begin favoring such a treaty, after holding it up for a year. "The rising tide of international anarchy" seems to be the principal reason for this change of attitude.

"International anarchy" is simply a name for ever-spreading war under the new catch-as-catch-can rules. The United States government has contended that the only possible way to avert war is by increasing foreign trade, and therefore it has negotiated many reciprocal trade treaties. The suggested treaty with Britain has been in the works for a year or more, but it has been blocked by two types of objections, one coming from industries that wish the continued protection of high tariffs, the other from fervid advocates of "Imperial preference," which means reduced tariffs between the various parts of the Empire, and a high tariff around it.

Now, however, the British government seems convinced that Imperial preference is not good enough to save the Empire. Japan has trampled on Britain in the Far East, and Italian submarines have sunk British ships in the Mediterranean. Preparing for coming events, Britain needs all the friends she can get, and must make economic arrangements to that end.

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Finance, Clark R. Pace  
Management and Labor, Frank Rising  
New Products, W. W. Dodge  
Statistics, R. I. Carlson  
Law, J. A. Gerardi  
Production, J. F. Huston  
Chicago, Louis DeBord  
Detroit, Burnham Finney  
San Francisco, Cameron Robertson  
Washington, McGraw-Hill Washington Bureau; Irvin Foss, Special Correspondent

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